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UNITED STATES BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA - SANTA ANA DIVISION	
In re: PATRICK GLENN HARVEY aw PATRICK G. HARVEY & SONS CONTRACTORS, INC.; aka PAT HARVEY; fdba PATRICK HARVEY CONSTRUCTION and CATHLEEN DENISE HARVEY aka CATHY HARVEY, Debtor(s).	CASE NO.: 8:13-bk-10544-CB CHAPTER: 7 NOTICE OF SALE OF ESTATE PROPERTY

Sale Date: 12/17/2013	Time: 2:30 pm
Location: Courtroom 5D, 411 West Fourth Street, Santa Ana, CA 92701	

Type of Sale: ☒ Public ☐ Private **Last date to file objections:** _____

Description of property to be sold:

The Estate's interest in real property located at 22202 Abrazo, Mission Viejo, California.

Terms and conditions of sale:

See attached Motion for terms and conditions of sale.

Proposed sale price: \$ 750,000.00 _____

Overbid procedure (if any):

The sale is subject to overbids. See attached Motion for information on submitting overbids.

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

December 17, 2013 at 2:30 p.m.
United States Bankruptcy Court
Courtroom 5D
411 West Fourth Street
Santa Ana, CA 92701

Contact person for potential bidders (include name, address, telephone, fax and/or email address):

SHULMAN HODGES & BASTIAN LLP
c/o Rika M. Kido
8105 Irvine Center Drive, Suite 600
Irvine, CA 92618
Telephone: (949) 340-3400
Facsimile: (949) 340-3000
Email: rkido@shbllp.com

Date: 11/25/2013

Leonard M. Shulman – State Bar No. 126349
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rkido@shbllp.com

Attorneys for John M. Wolfe,
Chapter 7 Trustee

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA, SANTA ANA DIVISION

In re

PATRICK GLENN HARVEY aw
PATRICK G. HARVEY & SONS
CONTRACTORS, INC.; aka PAT
HARVEY; fdba PATRICK HARVEY
CONSTRUCTION and CATHLEEN
DENISE HARVEY aka CATHY HARVEY,
Debtors.

Case No. 8:13-bk-10544-CB
Chapter 7

**CHAPTER 7 TRUSTEE’S MOTION FOR
ORDER:**

- (1) APPROVING THE SALE OF REAL
PROPERTY OF THE ESTATE FREE
AND CLEAR OF LIENS PURSUANT
TO BANKRUPTCY CODE §§
363(b)(1) AND (f), SUBJECT TO
OVERBIDS, COMBINED WITH
NOTICE OF BIDDING
PROCEDURES AND REQUEST FOR
APPROVAL OF THE BIDDING
PROCEDURES UTILIZED;**
- (2) APPROVING PAYMENT OF REAL
ESTATE COMMISSION; AND**
- (3) GRANTING RELATED RELIEF;**

**MEMORANDUM OF POINTS AND
AUTHORITIES AND DECLARATIONS
OF JOHN M. WOLFE IN SUPPORT
THEREOF**

[Real Property located at 22202 Abrazo,
Mission Viejo, California]

Hearing Date:

Date: December 17, 2013

Time: 2:30 P.M.

Place: Courtroom 5D

411 West Fourth Street
Santa Ana, CA 92501

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**TO THE HONORABLE CATHERINE E. BAUER, UNITED STATES BANKRUPTCY
JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, THE DEBTORS AND
ALL INTERESTED PARTIES AND THEIR COUNSEL OF RECORD:**

I. INTRODUCTION

John M. Wolfe (“Trustee”), the Chapter 7 trustee for the bankruptcy estate (“Estate”) of Patrick Glenn Harvey aw Patrick G. Harvey & Sons Contractors, Inc.; aka Pat Harvey; fdba Patrick Harvey Construction and Cathleen Denise Harvey aka Cathy Harvey (collectively, “Debtors”), hereby brings this Motion for Order: (1) Approving the Sale of Real Property of the Estate Free and Clear of Certain Liens Pursuant to Bankruptcy Code §§ 363(b)(1) and (f), Subject to Overbids, Combined With Notice of Bidding Procedures and Request for Approval of the Bidding Procedures Utilized; (2) Approving Payment of Real Estate Commission; and (3) Granting Related Relief (“Sale Motion”).

The Trustee has received an offer from Jose J. Garcia and Rosa E. Garcia (“collectively, Buyer”) to purchase the real property located at 22202 Abrazo, Mission Viejo, California (“Property”) for \$750,000.00, subject to overbids. The Property is a single family residence, owned by the Debtors and utilized as their primary residence. The offer by the Buyer is the best offer that the Estate has received thus far for the Property, and is the result of negotiations between the Trustee and the Buyer for the highest and best offer. Through the sale, the Trustee is expected to generate proceeds of \$62,529.74 for the benefit of the Estate and its creditors. Further, in the event the purchase price is increased by a successful overbid, the estimated net proceeds will increase and provide greater distribution to creditors.

Accordingly, the Trustee believes that good cause exists to grant the Sale Motion so the Trustee does not lose this favorable business opportunity.

II. RELEVANT FACTS

A. Case Commencement

The Debtors filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code on January 21, 2013.

///

John M. Wolfe is the duly appointed, qualified and acting Chapter 7 trustee for the Debtors' Estate.

The last day to file proof of claims in this case was on July 22, 2013. As of the filing of this Motion, nine (9) unsecured claims have been filed in this case totaling \$91,948.75.

B. The Property

The Debtors' Bankruptcy Schedule A lists a fee simple community property interest in the Property, which is legally described as follows:¹

PARCEL A:

PARCEL 2, AS PER MAP RECORDED IN BOOK 119, PAGES 5 AND 6 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL MINERALS, OIL, GAS, PETROLEUM, OTHER HYDROCARBON SUBSTANCES AND ALL UNDERGROUND WATER IN OR UNDER OR WHICH MAY BE PRODUCED FROM SAID LAND WHICH UNDERLIES A PLANE PARALLEL TO AND 550 FEET BELOW THE PRESENT SURFACE OF SAID LAND FOR THE PURPOSE OF PROSPECTING FOR, THE EXPLORATION, DEVELOPMENT, PRODUCTION, EXTRACTING AND TAKING OF SAID MINERALS, OIL, GAS, PETROLEUM, OTHER HYDROCARBON SUBSTANCES AND WATER FROM SAID LAND BY MEANS OF MINES, WELLS, DERRICKS AND/OR OTHER EQUIPMENT FROM SURFACE LOCATIONS ON ADJOINING OR NEIGHBORING LAND OR LYING OUTSIDE OF THE ABOVE DESCRIBED LAND, IT BEING UNDERSTOOD THAT THE OWNER OF SUCH MINERALS, OIL, GAS, PETROLEUM, OTHER HYDROCARBON SUBSTANCES AND WATER, AS SET FORTH ABOVE, SHALL HAVE NO RIGHT TO ENTER UPON THE SURFACE OF THE ABOVE DESCRIBED LAND, NOR TO USE ANY OF THE SAID LAND OR ANY PORTION THEREOF ABOVE SAID PLANE PARALLEL TO AND 550 FEET BELOW THE PRESENT SURFACE OF THE SAID LAND FOR ANY PURPOSE WHATSOEVER.

PARCEL B:

NON-EXCLUSIVE EASEMENTS FOR ACCESS, INGRESS, EGRESS, ENCROACHMENT, DRAINAGE, REPAIR, MAINTENANCE, SUPPORT, AND FOR OTHER PURPOSES, ALL AS DESCRIBED IN THE RESTATEMENT AND AMENDMENT OF MASTER DECLARATION OF ENVIRONMENTAL COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS ("MASTER DECLARATION") RECORDED ON SEPTEMBER 20, 1976 AS INSTRUMENT NO. 24306 IN BOOK 11894, PAGE 121 ET SEQ. OF OFFICIAL RECORDS; THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR LAKE MISSION VIEJO ASSOCIATION ("THE LAKE ASSOCIATION")

¹ The legal description for the Property is believed to be accurate but may be corrected or updated by the title company in the transfer documents as necessary to complete the proposed sale transaction.

1 RECORDED IN NOVEMBER 15, 1976 AS INSTRUMENT NO. 22433 IN
2 BOOK 11963, PAGE 889 ET SEQ. OF OFFICIAL RECORDS; AND THE
3 NOTICE OF ADDITION OF TERRITORY AND SUPPLEMENTAL
4 DECLARATION FOR INCREMENT NO. SP ("NOTICE") RECORDED ON
5 OCTOBER 5, 1977 AS INSTRUMENT NO. 5295 IN BOOK 12404, PAGE 1632
6 ET SEQ. OF OFFICIAL RECORDS.

7 APN: 837-311-30

8 Pursuant to Court order entered on July 23, 2013 (docket number 56), the Trustee was
9 authorized to employ Joseph M. Galosic and Capstone Realty ("Broker"), to assist the Trustee in
10 the marketing and sale of the Property.

11 In their Bankruptcy Schedule A, the value of the Property was asserted to be \$590,000.00
12 with a lien in favor of Everhome Mortgage Co. in the amount of \$501,907.00.² The Debtors
13 have claimed a homestead exemption of \$100,000.00 under California Code of Civil Procedure
14 Section 704.730.

15 In or about April 2013, the Trustee's Broker reviewed the Property and based on area
16 comparables, believed that the value of the Property was between \$760,000.00 to \$829,000.00.
17 The Property was thus listed for the sale price of \$825,000.00. The Property was listed on the
18 MLS and advertised for sale since June 2013. While there had been significant interest in the
19 Property and multiple showings, after sixty (60) days on the market, no offers were made. As
20 such, the listing price was dropped to \$799,000.00. After an additional thirty (30) days on the
21 market at the \$799,000.00 listing price, there was no interest or viewings and the listing price
22 was dropped to \$770,000.00.

23 The Buyer's offer that is the subject of this Sale Motion represents the only and best offer
24 received by the Trustee. As set forth below, the Trustee believes the sale of the Property will
25 benefit the Estate and its creditors.

26 ///

27 ///

28 ///

² On May 20, 2013, Everbank, and its successors and/or assignees ("Everbank") filed a Motion for Relief from the Automatic Stay Under 11 U.S.C. § 362 ("MRFS") asserting that there was no equity in the Property based on the valuation of the Debtors in their Schedule A. Everbank lists that, as of April 3, 2013, their total lien against the Property is approximately \$515,411.40. As it appeared there was sufficient equity to pay the lien of Everbank in full, the MRFS was ultimately withdrawn to allow for the Trustee to continue to market and sell the Property.

C. Liens and Encumbrances Against the Property and Their Proposed Treatment Through the Sale

The following chart sets forth the liens and encumbrances against the Property as detailed in the Preliminary Title Report dated October 22, 2013 (“Preliminary Title Report”), a copy of which is attached as **Exhibit “1”** to the Declaration of John M. Wolfe (“Wolfe Decl.”) and the proposed treatment of the liens and encumbrances through the sale:

<u>Creditor</u>	<u>Description</u>	<u>Estimated Amount Owed</u>	<u>Treatment of Lien Through the Sale</u>
Orange County Treasurer and Tax Collector	Real property taxes	\$3,774.64 (First Installment for 2013-2014, plus penalty)	All outstanding real property taxes will be paid through escrow on the sale transaction.
Everbank	Deed of trust listed on the Debtors’ Schedule D as owing \$501,907.00. Recorded on March 16, 2009 as Instrument No. 09-123464. Assignment of the beneficial interest under said deed of trust, assigned to Everbank on April 8, 2013 as Instrument No. 13-209044.	\$534,957.42 (as of 11/21/13 - \$530,818.46, if paid in full on or before 9/26/13; an additional \$73.91 interest per day)	This lien will be paid through escrow on the sale of the Property. Thus, this lien will be released, discharged and terminated at the close of escrow and the Property will be sold free and clear of this lien and the lien will not attach to the sale proceeds.

All costs of sale, including escrow fees and real estate commissions will be paid at closing. In addition, to the extent that there are any outstanding real property taxes, they will be paid through the sale.

D. The Purchase Offer and Summary of the Sale Terms

The Buyer has offered to purchase the Property for \$750,000.00. The purchase price includes a deposit of \$22,500.00. Attached as **Exhibit “2”** to the Wolfe Decl. is a true and correct copy of the Residential Purchase Agreement and Joint Escrow Instructions and Counter Offers and related addendum (collectively the “Agreement”).

///

A summary of the Agreement's terms and highlights are discussed below, but the summary and discussion are not meant to be a complete review of every provision of the Agreement. The Agreement itself is the legally binding document the Trustee seeks approval of and, in the event of any inconsistency between the terms, provisions or effect of the Agreement and the description of it in these pleadings, the Agreement alone shall govern and not these pleadings or the descriptions herein.

In summary, the principal terms of the sale of the Property shall be as follows (the Trustee is referred to at times as the "Seller" in the following summary):

Buyer:	Jose J. Garcia and Rosa E. Garcia												
Purchase Price:	\$750,000.00, subject to the Bidding Procedures set forth below. \$22,500.00 to be paid as a deposit and the remainder to be paid through a loan at closing.												
Escrow Holder and Escrow Closing Date:	The escrow holder shall be Everest Escrow. Escrow is scheduled to close within ten (10) days from entry of the Order granting the Motion. The Trustee may extend this time under his sole discretion and based on his business judgment.												
Escrow, Title and Other Costs	The Buyer shall pay the escrow fees. The Seller shall pay for an owner's title insurance policy to be issued by Chicago Title. The Buyer shall be responsible for County and City transfer taxes or transfer fees.												
Bankruptcy Court Approval	The sale is expressly conditioned on approval of the United States Bankruptcy Court for the Central District of California, Santa Ana Division and entry of final order approving the Agreement. Payment of any and all real estate brokers' commissions is also subject to notice to creditors and approval by the Bankruptcy Court.												
Real Estate Agent Commission	Through escrow on the sale of the Property, and subject to Court approval, the Trustee shall pay compensation for real estate agent services to the Buyer's agent and the Estate's agent. The agents shall equally split a commission in the amount of \$45,00.00 (6% of the purchase price) as follows: <table> <tr> <td><u>Agent</u></td><td><u>Commission</u></td></tr> <tr> <td>Trustee's Broker</td><td>\$22,500.00</td></tr> <tr> <td>Capstone Real Estate Group</td><td></td></tr> <tr> <td>Buyer's Broker</td><td>\$22,500.00</td></tr> <tr> <td>First Team Real Estate</td><td></td></tr> <tr> <td>Total Commission</td><td>\$45,000.00</td></tr> </table>	<u>Agent</u>	<u>Commission</u>	Trustee's Broker	\$22,500.00	Capstone Real Estate Group		Buyer's Broker	\$22,500.00	First Team Real Estate		Total Commission	\$45,000.00
<u>Agent</u>	<u>Commission</u>												
Trustee's Broker	\$22,500.00												
Capstone Real Estate Group													
Buyer's Broker	\$22,500.00												
First Team Real Estate													
Total Commission	\$45,000.00												
Title Insurance	The title insurance policy shall be subject only to liens, encumbrances, clouds and other matters as may appear on the preliminary title report, that are not to be removed at the close of Escrow, and have not been objected to by the Buyer. Should Seller be unwilling or unable to eliminate those title matters disapproved by the Buyer as above, the Seller may terminate the Agreement or; should Seller fail to deliver good and marketable title as provided above, Seller and the Buyer may terminate the Agreement. In either case, the Buyer's deposit shall be returned to the Buyer, and the Buyer shall have no recourse against Seller, John M. Wolfe, as Bankruptcy Trustee, individually, or the law firm of Shulman Hodges & Bastian LLP, the Estate or the Debtors, or any real estate agent, broker or attorney involved in the transaction.												

Purchase Without Warranties	The Buyer acknowledges that they are purchasing the Subject Property from the Seller "AS IS" without warranties of any kind, expressed or implied, being given by the Seller, concerning the condition of the Subject Property or the quality of the title thereto, or any other matters relating to the Subject Property. The Buyer represents and warrants that they are purchasing the Subject Property as a result of their own investigations and are not buying the Subject Property pursuant to any representation made by any broker, agent, accountant, attorney or employee acting at the direction, or on the behalf of the Seller. The Buyer acknowledges that the Buyer has inspected the Subject Property, and upon closing of Escrow governed by this Agreement, the Buyer forever waives, for themselves, their heirs, successors and assigns, all claims against the Debtors, their attorneys, agents and employees, the Debtors' Estate, John M. Wolfe as Trustee and individually, and his attorneys, agents and employees, arising or which might otherwise arise in the future concerning the Subject Property.
Trustee's Liability	The Buyer acknowledges that the Trustee is acting in his official capacity only. No personal liability shall be sought or enforced against the Trustee with regard to the Agreement, including the Addendum, the assets, the sale of the Subject Property, or the physical condition of the Subject Property. In the event that the Trustee fails or refuses to complete the transaction for any reason, then the limit of the Trustee's liability is only to return any money paid to the Trustee by the Buyer, without deduction. Prior to and after the closing of escrow, the United States Bankruptcy Court shall have and retain the sole and exclusive jurisdiction over the Subject Property and the Agreement; and all disputes arising before and after closing shall be resolved in said Court. Further, the Trustee has agreed that if a dispute arises, such dispute may initially be resolved through the Mediation Program pending in the United States Bankruptcy Court for the Central District of California.
Hold Harmless	(a) The Buyer understands the terms and conditions of the entire purchase contract and holds the Estate and the realtors, brokers, agents, John M. Wolfe, Trustee, and his attorneys including Shulman Hodges & Bastian LLP, agents and employees, harmless from any liabilities arising from this contract. (b) The Parties hereto further agree, jointly and severally, to pay on demand as well as to indemnify and hold Escrow harmless from and against all costs, damages, judgments, attorneys' fees, expenses, obligations and liabilities of any kind or nature which in good faith, Escrow may incur or sustain in connection with or arising out of this Escrow and Escrow is hereby given a lien upon all the rights, titles and interest of each of the undersigned in all escrow papers and other property and monies deposited in this escrow, to protect the rights of escrow and to indemnify and reimburse Escrow under this Agreement. In the event this Escrow is not completed for any reason, Escrow is authorized to deduct and pay its fee, plus costs incurred from any funds on deposit.
Jurisdiction of the Bankruptcy Court	Any and all disputes which involve in any manner the Estate or John M. Wolfe, Chapter 7 Trustee, arising from the Agreement and/or its Addendums or relating in any manner to the Subject Property, shall be resolved only in the United States Bankruptcy Court, Central District of California.
Sale Subject to Overbidding	The sale of the Property is subject to the Bidding Procedures described below.
Outstanding Real Property Taxes	To be paid by through escrow.

Free and Clear of Liens and Encumbrances	The Property shall be delivered to the Buyer free and clear of all liens and encumbrances. Any liens and interests against the Property that are not paid in full through escrow shall attach to the sale proceeds generated through the sale with the same force, effect, validity, and priority as such liens or interests had with respect to the Property prior to the sale.
Good Faith Finding	The proposed sale has been brought in good faith and has been negotiated on an "arms length" basis. The negotiations with the Buyer have resulted in an offer to sell the Estate's interest in the Property that will have substantial benefit. Accordingly, the sale is in good faith and should be approved. The Trustee shall request such a finding pursuant to Bankruptcy Code Section 363(m) at the hearing on this Motion.

E. Notice of Bidding Procedures

The Trustee has determined that it would benefit the Estate to permit all interested parties to receive information and bid for the Property instead of selling the Property to the Buyer on an exclusive basis. Accordingly, in order to obtain the highest and best offer for the benefit of the creditors of this Estate, the Trustee also seeks Court approval of the following bidding procedures ("Bidding Procedures"):

1. Potential overbidder(s) must bid an initial amount of at least \$10,000.00 over the Purchase Price, or \$760,000.00. Minimum bid increments thereafter shall be \$5,000.00. The Trustee shall have sole discretion in determining which overbid is the best for the Estate and will seek approval from the Court of the same.

2. Overbids must be in writing and be received by the Trustee and the Trustee's counsel, Shulman Hodges & Bastian LLP to the attention of Rika M. Kido on or before **4:00 p.m. (California time) on the date which is three (3) days prior to the hearing on the Sale Motion or December 13, 2013.**

3. Overbids must be accompanied by certified funds in an amount equal to six and one half percent (6.5%) of the overbid purchase price.

4. The overbidder must also provide evidence of having sufficient specifically committed funds to complete the transaction, or a lending commitment for the bid amount and such other documentation relevant to the bidder's ability to qualify as the purchaser of the Property and ability to close the sale and immediately and unconditionally pay the winning bid purchase price at closing.

5. The overbidder must seek to acquire the Property on terms and conditions not less favorable to the Estate than the terms and conditions to which the Buyer has agreed to purchase the Property as set forth in the Agreement attached as **Exhibit “2”** to the Wolfe Decl. including closing on the sale of the Property in the same time parameters as the Buyer.

6. All competing bids must acknowledge that the Property is being sold on an “AS IS” basis without warranties of any kind, expressed or implied, being given by the Trustee, concerning the condition of the Property or the quality of the title thereto, or any other matters relating to the Property. The competing bid buyer must represent and warrant that he/she is purchasing the Property as a result of their own investigations and are not buying the Property pursuant to any representation made by any broker, agent, accountant, attorney or employee acting at the direction, or on the behalf of the Trustee. The competing bidder must acknowledge that he/she has inspected the Property, and upon closing of Escrow governed by the Agreement, the competing buyer forever waives, for himself/herself, their heirs, successors and assigns, all claims against the Debtors, their attorneys, agents and employees, the Debtors’ Estate, John M. Wolfe as Trustee and individually, and his attorneys, agents and employees, arising or which might otherwise arise in the future concerning the Property.

7. If overbids are received, the final bidding round for the Property shall be held at the hearing on the Sale Motion in order to allow all potential bidders the opportunity to overbid and purchase the Property. At the final bidding round, the Trustee or his counsel will, in the exercise of their business judgment and subject to Court approval, accept the bidder who has made the highest and best offer to purchase the Property, consistent with the Bidding Procedures (“Successful Bidder”).

8. At the hearing on the Sale Motion, the Trustee will seek entry of an order, *inter alia*, authorizing and approving the sale of the Property to the Successful Bidder. The hearing on the Sale Motion may be adjourned or rescheduled without notice other than by an announcement of the adjourned date at the hearing on the Sale Motion.

9. In the event the Successful Bidder fails to close on the sale of the Property within the time parameters approved by the Court, the Trustee shall retain the Successful Bidder’s

1 Deposit and will be released from his obligation to sell the Property to the Successful Bidder and
2 the Trustee may then sell the Property to the first back-up bidder approved by the Court at the
3 hearing on the Sale Motion ("First Back-Up Bidder").

4 10. In the event First Back-Up Bidder fails to close on the sale of the Property within
5 the time parameters approved by the Court, the Trustee shall retain the First Back-Up Bidder's
6 Deposit and will be released from his obligation to sell the Property to the First Back-Up Bidder
7 and the Trustee may then sell the Property to the second back-up bidder approved by the Court at
8 the hearing on the Sale Motion ("Second Back-Up Bidder").

9 **III. ARGUMENT**

10 **A. The Court May Authorize the Sale When There is a Good Faith Purchaser**

11 The Trustee, after notice and hearing, may sell property of the estate. 11 U.S.C. § 363(b).
12 The standards to establish are that there is a sound business purpose for the sale, that the sale is
13 in the best interests of the estate, i.e., the sale is for a fair and reasonable price, that there is
14 accurate and reasonable notice to creditors and that the sale is made in good faith. *In re Wilde*
15 *Horse Enterprises, Inc.*, 136 B.R. 830, 841 (Bankr. C.D. Cal. 1991); *In re Lionel Corp.*, 722 F.2d
16 1063, 1069 (2d Cir. 1983). Business justification would include the need to close a sale to one of
17 very few serious bidders where an asset has been shopped and a delay could jeopardize the
18 transaction. *See, e.g., In re Crowthers McCall Pattner, Inc.*, 114 B.R. 877, 885 (Bankr. S.D.N.Y.
19 1990) (extreme difficulty finding a buyer justified merger when buyer found). The Trustee's
20 proposed sale of the Property meets the foregoing criteria.

21 **1. Sound Business Purpose**

22 The Ninth Circuit has adopted a flexible, case-by-case test to determine whether the
23 business purpose for a proposed sale justifies disposition of property of the estate under Section
24 363(b). *In re Walter*, 83 B.R. 14 (B.A.P. 9th Cir. 1988). In *Walter*, the Ninth Circuit, adopting
25 the reasoning of the Fifth Circuit in *In re Continental Air Lines, Inc.*, 780 F.2d 1223 (5th Cir.
26 1986), and the Second Circuit in *In re Lionel Corp.*, 722 F.2d 1063 (2d Cir. 1983), set forth the
27 following standard to be applied under Bankruptcy Code Section 363(b):

28 ///

Whether the proffered business justification is sufficient depends on the case. As the Second Circuit held in *Lionel*, the bankruptcy judge should consider all salient factors pertaining to the proceeding and, accordingly, act to further the diverse interests of the debtor, creditors and equity holders, alike. He might, for example, look to such relevant factors as the proportionate value of the assets to the estate as a whole, the amount of lapsed time since the filing, the likelihood that a plan of reorganization will be proposed and confirmed in the near future, the effect of the proposed disposition on future plans of reorganization, the proceeds to be obtained from the disposition vis-a-vis any appraisals of the property, which of the alternatives of use, sale or lease the proposal envisions and, most importantly perhaps, whether the asset is increasingly or decreasing in value. This list is not intended to be exclusive, but merely to provide guidance to the bankruptcy judge.

Walter, 83 B.R. at 19-20 (quoting *Continental*, 780 F.2d at 1226).

Here, the facts surrounding the sale of the Property support the Trustee's business decision that the proposed sale is in the best interests of the Estate and its creditors. Through the sale, the Trustee expects to generate net proceeds of approximately \$62,529.74 as follows (amounts are estimated):

Sale Price	\$750,000.00
Less real estate commission (6% of sales price) and costs of sale (\$3,738.20)	(\$48,738.20)
Less estimated amounts due Everbank on the First Deed of Trust (as of November 21, 2013)	(\$534,957.42)
Less First Installment of 2013-2014 property taxes plus penalty	(\$3,774.64)
Less Debtors' homestead exemption	(\$100,000.00)
Estimated Net Sale Proceeds for the benefit of the Estate	\$62,529.74

The estimated net proceeds will substantially benefit the Estate by providing funds for a distribution to unsecured creditors. If the Motion is not approved, then there will be a substantial loss to the Estate. In such event, the Estate will not receive any benefit from the Property.

Furthermore, the Trustee believes that the proposed sale, subject to overbids, will be at fair market value because it is the best offer the Estate has received thus far for the Property, and is the result of negotiations between the Trustee and the Buyer for the best and highest offer. Given that the sale is subject to overbids, it is anticipated the Trustee will receive the best and highest value for the Property and therefore the proposed sale price of the Property is fair and

reasonable. Therefore, the Trustee respectfully submits that, if this Court applies the good business reason standard suggested by the Second Circuit in *Lionel*, the sale should be approved.

2. The Sale Serves the Best Interests of the Estate and Creditors

The Trustee believes that it would be in the best interest of the Estate and its creditors to sell the Property. The benefits to the Estate, as set forth above, are significant as the proposed sale will yield an estimated \$62,529.74 to the Estate. If the Sale Motion is not approved, the Estate will not receive the sale proceeds and will likely lose the Buyer. The Trustee does not want to lose this beneficial business opportunity. Thus, the Trustee has made a business decision that it is in the best interest of the creditors of the Estate that this Sale Motion be approved.

3. Accurate and Reasonable Notice

It is expected that notice of this Sale Motion will satisfy the requirements for accurate and reasonable notice.

The notice requirements for sales are set forth in Federal Rules of Bankruptcy Procedure (“FRBP”) 6004 and 2002. The notice must include the time and place of any public sale and/or the terms and conditions of any private sale, the time fixed for filing on objections and a general description of the property. Fed. R. Bankr. P. 2002(c)(1).

In compliance with FRBP 2002 and Bankruptcy Code Section 102(1), the Trustee shall provide notice of the proposed sale of the Property to creditors and parties in interest. The Notice of Motion will include a summary of the terms and conditions of the proposed private sale, the time fixed for filing objections, and a general description of the Property. The Trustee submits that the notice requirements will have been satisfied, thereby allowing creditors and parties in interest an opportunity to object to the sale. Hence, no further notice should be necessary.

4. The Sale is Made in Good Faith

The proposed sale has been brought in good faith and has been negotiated on an “arms length” basis. The court, in *Wilde Horse Enterprises*, set forth the factors in considering whether a transaction is in good faith. The court stated:

///

“Good faith” encompasses fair value, and further speaks to the integrity of the transaction. Typical ‘bad faith’ or misconduct, would include collusion between the seller and buyer, or any attempt to take unfair advantage of other potential purchasers. . . . And, with respect to making such determinations, the court and creditors must be provided with sufficient information to allow them to take a position on the proposed sale.

Id. at 842 (citations omitted).

In the present case, the negotiation of the proposed sale was an arms-length transaction. The negotiations with the Buyer resulted in a sale price for the Property that will have substantial benefit to the Estate. As set forth in the Notice of the Sale Motion, the creditors will have been provided with sufficient notice of the sale. Accordingly, the sale is in good faith and should be approved. The Trustee shall request such a finding pursuant to Bankruptcy Code Section 363(m) at the hearing on this Sale Motion.

B. The Proposed Sale Should be Allowed Free and Clear of Liens

Bankruptcy Code Section 363(f) allows a trustee to sell property of the bankruptcy estate “free and clear of any interest in such property of an entity,” if any one of the following five conditions is met:

- (1) applicable non-bankruptcy law permits a sale of such property free and clear of such interest;
- (2) such entity consents;
- (3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
- (4) such interest is in bona fide dispute; or
- (5) such entity could be compelled, in a legal or equitable proceeding, to accept money satisfaction of such interest.

11 U.S.C. § 363(f).

Section 363(f) is written in the disjunctive and thus only one of the enumerated conditions needs to be satisfied for Court approval to be appropriate. Based on the Preliminary Title Report, other than the first deed of trust in favor of Everbank and any property taxes, the Trustee is not aware of any liens and encumbrances impacting the Property. Out of an abundance of caution, the Trustee seeks to the sell the Property free and clear of all such liens

1 and encumbrances, with all such liens and encumbrances not satisfied through the sale to attach
2 to the proceeds of the sale with the same priority, validity, force and effect as they existed with
3 respect to the Property before the closing of the sale pending further Court order or agreement
4 with the parties. Accordingly, the Trustee seeks to sell the Property under Bankruptcy Code
5 Section 363(f)(3).

6 **C. The Court has the Authority to Approve the Bidding Procedures**

7 Implementation of the Bidding Procedures is an action outside of the ordinary course of
8 the business. Bankruptcy Code Section 363(b)(1) provides that a trustee “after notice and
9 hearing, may use, sell or lease, other than in the ordinary course of business, property of the
10 estate.” 11 U.S.C. § 363(b)(1). Furthermore, under Bankruptcy Code Section 105(a), “[t]he
11 court may issue any order, process, or judgment that is necessary or appropriate to carry out the
12 provisions of this title.” 11 U.S.C. § 105(a). Thus, pursuant to Bankruptcy Code Sections
13 363(b)(1) and 105(a), this Court may authorize the implementation of overbidding procedures.

14 The Ninth Circuit, in a case under the Bankruptcy Act, recognized the power of a
15 bankruptcy court to issue orders determining the terms and conditions for overbids with respect
16 to a sale of estate assets. *In re Crown Corporation*, 679 F.2d 774 (9th Cir. 1982). The *Crown*
17 *Corporation* court entered an order specifying the minimum consideration required for an
18 overbid as well as the particular contractual terms required to be offered by overbidders. *Id.* at
19 777. The *Crown Corporation* decision also approves an order requiring and setting the amount
20 of potential overbidder’s deposits and authorized courts to determine the disposition of such
21 deposits. *Id.* While the discussion is not extensive, the *Crown Corporation* decision recognizes
22 the authority of bankruptcy courts to order the implementation of bidding procedures such as
23 those proposed in the present case.

24 **1. The Overbid Procedures are Untainted by Self-Dealing**

25 The Bidding Procedures have been proposed in good faith and have been negotiated on
26 an “arms-length” basis. Therefore, there is no prospective taint in dealings between Trustee and
27 any potential bidders.

28 ///

2. **The Overbid Procedures Encourage Bidding and are Fair in Amount**

The Bidding Procedures are designed to encourage, not hamper bidding and are reasonable under the circumstances. The Bidding Procedures are intended to provide potential overbidders with adequate information to make an informed decision as to the amount of their bid and the validity of their bid.

3. **The Overbid Procedures are Fair, Reasonable and Serve the Best Interests of the Estate**

The proposed Bidding Procedures serve the Estate in several ways. First, the Bidding Procedures themselves are fair, reasonable and productive; they will permit the Trustee to conduct an orderly sale and obtain the best possible price on the best possible terms for the Property.

The Bidding Procedures will ensure that all bids will be comparable. The Trustee will determine which bid is the highest and best for the Estate. The comparability requirement of the Bidding Procedures will make it possible to accomplish this task.

The Bidding Procedures will help the Trustee to obtain the highest and best possible price for the Property. The Bidding Procedures institute minimum overbid increments which the Trustee believes are reasonable. Thus, the Trustee will be able to obtain substantial benefit for this Estate from the sale of the Property from competing bids.

The Bidding Procedures require that potential bidders demonstrate their capacity to complete the transaction. It would be a serious loss to the Estate if it surrendered its opportunity to sell the Property to one buyer in favor of a competing bidder only to discover the successful bidder incapable of consummating the transaction. Thus, requiring bidders to qualify as qualified bidders will protect the Estate from such a loss.

Finally, the most important benefit of the Bidding Procedures to the Estate is that their implementation will enable the consummation of the proposed sale. The proposed sale will be the best way to obtain the maximum and most expedient recovery for creditors of this Estate. Implementation of the Bidding Procedures is an essential component of consummating the sale of the Property and maximizing the value of the Property for the Estate and creditors.

The Bidding Procedures proposed by the Trustee are fair and provide for a “level playing field” for all prospective bidders with respect to the Property. The proposed Bidding Procedures establish a reasonable but expeditious timeline for allowing the Trustee to give notice of the proposed sale and qualified bidders to conduct reasonable due diligence and submit competing offers for the Property, thereby potentially generating additional value for the Property. Furthermore, the notice that the Trustee proposes to provide to creditors and parties in interest in connection with the Bidding Procedures and Motion is designed to attract the most interest in the acquisition of the Property and is sufficient under the circumstances of this case. Thus, approval of the Bidding Procedures will serve the best interests of the Estate and its creditors.

D. The Court has the Authority to Waive the Fourteen-Day Stay of Sale

Federal Rule of Bankruptcy Procedure 6004(h) provides that “[a]n order authorizing the use, sale or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the Court orders otherwise.” Fed. Rule Bankr. P. 6004(h).

The Trustee desires to close the sale of the Property as soon as practicable after entry of an order approving the sale. Accordingly, the Trustee requests that the Court, in the discretion provided it under Federal Rule of Bankruptcy Procedure 6004(h), waive the fourteen-day stay requirement.

E. Request for Payment of Real Estate Commission

Bankruptcy Code Section 327 allows, with court approval, for the trustee to employ professional persons, “that do not hold or represent an interest adverse to the estate, and that are disinterested persons.” 11 U.S.C. § 327(a). By an Order entered on July 23, 2013, the Trustee was authorized to employ the Broker to assist the Trustee in the marketing and sale of the Property.

Bankruptcy Code Section 328 allows employment of a professional person under section 327 “on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, on a fixed or percentage fee basis, or on a contingent fee basis.” 11 U.S.C. § 328(a) (emphasis added). Through this Sale Motion, as provided in the Agreement, the Trustee seeks authorization to pay a real estate broker commission in the amount of six percent (6%) of

the purchase price. Through escrow on the sale of the Property, and subject to Bankruptcy Court approval, the Trustee shall pay a real estate broker's commission as follows:

<u>Agent</u>	<u>Commission</u>
Trustee's Broker: Joseph M. Galosic of Capstone Real Estate Group	\$22,500.00
Buyer's Broker: Sofia M. Delgado of First Team Real Estate	\$22,500.00
Total Commission:	\$45,000.00

IV. CONCLUSION

WHEREFORE, based upon the foregoing, the Trustee respectfully submits that good cause exists for granting the Sale Motion and requests that the Court enter an order as follows:

1. Approving the Bidding Procedures set forth above for the sale of the Property.
2. Authorizing the Trustee to sell the Property to the Buyer (or Successful Bidder) pursuant to the terms and conditions as set forth in the Agreement attached as **Exhibit "2"** to the Wolfe Decl.;
3. Authorizing the sale of the Property free and clear of liens with liens not satisfied through the sale to attach to the sale proceeds in the same validity and priority as prior to the closing of the sale;
4. Authorizing the Trustee to sign any and all documents convenient and necessary in pursuit of the sale as set forth above, including but not limited to any and all conveyances contemplated by the Agreement attached as **Exhibit "2"** to the Wolfe Decl.;
5. Approving the payment of the real estate commission in the total amount not to exceed six percent (6%) of the purchase price;
6. Authorizing the Trustee to pay from the proceeds of the sale of the Property through escrow all amounts owing in relation to all secured liens and encumbrances on the Property;
7. Authorizing the Trustee to pay from the proceeds of the sale of the Property all ordinary and customary costs of sale, including escrow fees;
8. A determination by the Court that the Buyer is in good faith pursuant to Bankruptcy Code Section 363(m);

1 9. Waiving the fourteen day stay of the order approving the sale of the Property
2 under Federal Rules of Bankruptcy Procedure 6004(h); and

3 10. For such other and further relief as the Court deems just and proper under the
4 circumstances of this case.

5 Respectfully submitted,

6 **SHULMAN HODGES & BASTIAN LLP**

7 Dated: November 25, 2013

/s/ Rika M. Kido

Leonard M. Shulman

Rika M. Kido

Attorneys for John M. Wolfe, Chapter 7 Trustee
for the bankruptcy estate of Patrick Glenn Harvey aw
Patrick G. Harvey & Sons Contractors, Inc.; aka Pat
Harvey; fdba Patrick Harvey Construction and Cathleen
Denise Harvey aka Cathy Harvey

DECLARATION OF JOHN M. WOLFE

I, John M. Wolfe, declare:

1. I am the duly appointed, qualified and acting Chapter 7 trustee for the bankruptcy estate ("Estate") of Patrick Glenn Harvey aw Patrick G. Harvey & Sons Contractors, Inc.; aka Pat Harvey; fdba Patrick Harvey Construction and Cathleen Denise Harvey aka Cathy Harvey (collectively, "Debtors"). I have personal knowledge of the facts set forth herein, and if called and sworn as a witness, I could and would competently testify thereto, except where matters are stated on information and belief, in which case I am informed and believe that the facts so stated are true and correct.

2. I make this Declaration in support of my Motion for Order: (1) Approving the Sale of Real Property of the Estate Free and Clear of Certain Liens Pursuant to Bankruptcy Code §§ 363(b)(1) and (f); (2) Approving Payment of Real Estate Commission; and (3) Granting Related Relief ("Sale Motion"). All capitalized terms not otherwise defined herein shall have the meaning set forth in the Sale Motion.

3. I have read and I am aware of the contents of the Sale Motion and the accompanying Memorandum of Points and Authorities. The facts stated in the Sale Motion and the Memorandum of Points and Authorities are true to the best of my knowledge.

4. The Property that is the subject of the Sale Motion is a single family residence owned by the Debtors and utilized as their primary residence. An asset of the Estate is the Debtors' interest in the real property located in Orange County at 22202 Abrazo, Mission Viejo, California ("Property"). The Preliminary Title Report dated October 22, 2013, a true and correct copy of which is attached hereto as **Exhibit "1"** reflects that the Debtors were the owners of the Property as of the Petition Date.

5. In their Bankruptcy Schedule A, the value of the Property was asserted to be \$590,000.00 with a lien in favor of Everhome Mortgage Co. in the amount of \$501,907.00. On May 20, 2013, Everbank, and its successors and/or assignees ("Everbank") filed a Motion for Relief from the Automatic Stay Under 11 U.S.C. § 362 ("MRFS") asserting that there was no equity in the Property based on the valuation of the Debtors in their Schedule A. Everbank lists

1 that, as of April 3, 2013, their total lien against the Property is approximately \$515,411.40. As it
2 appeared there was sufficient equity to pay the lien of Everbank in full, the MRFS was ultimately
3 withdrawn to allow for me to continue to market and sell the Property.

4 6. The Debtors have claimed a homestead exemption of \$100,000.00 under
5 California Code of Civil Procedure Section 704.730.

6 7. The last day to file proof of claims in this case was on July 22, 2013. I have
7 reviewed the claims register in this case and as of the filing of the Sale Motion, nine (9)
8 unsecured claims have been filed in this case totaling \$91,948.75.

9 8. My Broker reviewed the Property and believed that the Property had a higher fair
10 market value than the amount listed in the Debtors' Bankruptcy Schedule A. The Property was
11 thus listed for the sale price of \$825,000.00. The Property was listed on the MLS and advertised
12 for sale since June 2013. While there had been significant interest in the Property and multiple
13 showings, after sixty (60) days on the market, no offers were made. As such, the listing price
14 was dropped to \$799,000.00. After an additional thirty (30) days on the market at the
15 \$799,000.00 listing price, there was no interest or viewings and the listing price was dropped to
16 \$770,000.00.

17 9. The Buyer's offer that is the subject of this Sale Motion represents the only and
18 best offer received by the Trustee. As set forth below, the Trustee believes the sale of the
19 Property will benefit the Estate and its creditors

20 10. Through my Broker, I received an offer from the Buyer to purchase the Property
21 for \$700,000.00. I instructed my Broker to counter the Buyer's offer at \$750,000.00 which was
22 accepted. Attached hereto as **Exhibit "2"** is a true and correct copy of the Residential Purchase
23 Agreement and Joint Escrow Instructions and Counter Offers and related addendum
24 (collectively, the "Agreement") for which I am seeking Court approval.

25 11. I am seeking to sell the Estate's interest in the Property free and clear of all liens,
26 claims, and encumbrances and subject to the Bidding Procedures described in the Sale Motion.

27 12. Through the sale, I expect to generate proceeds of \$62,529.74, which will benefit
28 the Estate by providing funds for a distribution to the holders of unsecured claims.

1 13. For the reasons set forth in the Sale Motion and this Declaration, I respectfully
2 request that the Court grant the Sale Motion so that I do not lose this favorable business
3 opportunity to net a substantial amount of money for the Estate.

4 I declare under penalty of perjury under the laws of the United States of America that the
5 foregoing is true and correct.

6 Executed on November 22, 2013, at Irvine, California.


John M. Wolfe

EXHIBIT “1”

PRELIMINARY TITLE REPORT

CLTA Preliminary Report Form

(Rev. 11/06)

Order Number: 9904-4522038

Page Number: 1



First American Title

First American Title Company

**3 Hutton Center, Suite 450
Santa Ana, CA 92707**

Cheyenne Cruz
Everest Escrow
114 Pacifica, Suite 150
Irvine, CA 92618
Phone: (949)242-4316
Fax: (714)333-4601

Customer Reference:	IR3989-CC
Order Number:	9904-4522038 (de)
Title Officer:	Dennis Engalan
Phone:	(714)481-1087
Fax No.:	(866)850-0771
E-Mail:	DennisEngalan.title@firstam.com
Buyer:	GARCIA
Property:	22202 Abrazo Mission Viejo, CA 92691

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.* Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of October 22, 2013 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

ALTA/CLTA Homeowner's (EAGLE) Policy of Title Insurance (2010) and ALTA Ext Loan Policy 1056.06 (06-17-06) if the land described is an improved residential lot or condominium unit on which there is located a one-to-four family residence; or ALTA Standard Owner's Policy 2006 (WRE 06-17-06) and the ALTA Loan Policy 2006 (06-17-06) if the land described is an unimproved residential lot or condominium unit

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

PATRICK G. HARVEY AND CATHLEEN D. HARVEY HUSBAND AND WIFE AS JOINT TENANTS, SUBJECT TO PROCEEDINGS PENDING IN THE BANKRUPTCY COURT OF THE CALIFORNIA CENTRAL - ORANGE DISTRICT OF THE U. S. DISTRICT COURT, CALIFORNIA ENTITLED IN RE: PATRICK G. HARVEY AND CATHLEEN D. HARVEY, DEBTOR, CASE NO. 1310544, WHEREIN A PETITION FOR RELIEF WAS FILED ON JANUARY 21, 2013.

The estate or interest in the land hereinafter described or referred to covered by this Report is:

A FEE AS TO PARCEL(S) A, AN EASEMENT AS TO PARCEL(S) B.

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2013-2014.
First Installment: \$3,575.97, OPEN
Penalty: \$357.60
Second Installment: \$3,575.97, OPEN
Penalty: \$380.60
Tax Rate Area: 27-040
A. P. No.: 837-311-30
2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
3. Any easements or servitudes appearing in the public records.
Affects: Common Area.

4. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded as BOOK 11233, PAGE 41 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, sexual orientation, familial status, disability, handicap, national origin, genetic information, gender, gender identity, gender expression, source of income (as defined in California Government Code § 12955(p)) or ancestry, to the extent such covenants, conditions or restrictions violation 42 U.S.C. § 3604(c) or California Government Code § 12955. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

MISSION VIEJO ENVIRONMENTAL Homeowners Association is referenced in the above mentioned document.

Document(s) declaring modifications thereof recorded as BOOK 11894, PAGE 121 AND IN BOOK 11319, PAGE 510, BOTH of Official Records.

A declaration of annexation recorded as BOOK 12404, PAGE 1632 of Official Records, but deleting any covenant, condition, or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, sexual orientation, familial status, disability, handicap, national origin, genetic information, gender, gender identity, gender expression, source of income (as defined in California Government Code § 12955(p)) or ancestry, to the extent such covenants, conditions or restrictions violation 42 U.S.C. § 3604(c) or California Government Code § 12955. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

5. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded as BOOK 11963, PAGE 889 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition, or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, sexual orientation, familial status, disability, handicap, national origin, genetic information, gender, gender identity, gender expression, source of income (as defined in California Government Code § 12955(p)) or ancestry, to the extent such covenants, conditions or restrictions violation 42 U.S.C. § 3604(c) or California Government Code § 12955. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

LAKE MISSION VIEJO Homeowners Association is referenced in the above mentioned document.

A declaration of annexation recorded as BOOK 12404, PAGE 1632 of Official Records, but deleting any covenant, condition, or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, sexual orientation, familial status, disability, handicap, national origin, genetic information, gender, gender identity, gender expression, source of income (as defined in California Government Code § 12955(p)) or ancestry, to the extent such covenants, conditions or restrictions violation 42 U.S.C. § 3604(c) or California Government Code § 12955. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

6. An easement for UNDERGROUND LINES and incidental purposes in the document recorded as BOOK 12479, PAGE 643 of Official Records.
7. Notice that no transfer of title shall be made until requirements for transfer of membership in the MISSION VIEJO ENVIRONMENTAL Homeowners Association have been complied with and any unpaid assessments and transfer fees have been paid.
Recorded: July 15, 1980 as BOOK 13665, PAGE 1701 of Official Records.

8. A deed of trust to secure an original indebtedness of \$NOT SET OUT recorded August 13, 1991 as INSTRUMENT NO. 91-435084 OF OFFICIAL RECORDS.

Dated: July 12, 1991
Trustor: PATRICK G. HARVEY AND CATHLEEN D. HARVEY, HUSBAND & WIFE
Trustee: FIRST AMERICAN TITLE INSURANCE COMPANY
Beneficiary: AMERICAN FUNDING CORP.

9. A deed of trust to secure an original indebtedness of \$530,000.00 recorded March 16, 2009 as INSTRUMENT NO. 09-123464 OF OFFICIAL RECORDS.

Dated: March 11, 2009
Trustor: PATRICK G. HARVEY AND CATHLEEN D. HARVEY, HUSBAND AND WIFE AS JOINT TENANTS
Trustee: JOAN H. ANDERSON
Beneficiary: MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC.
Lender: FLAGSTAR BANK, FSB

According to the public records, the beneficial interest under the deed of trust was assigned to EVERBANK by assignment recorded April 08, 2013 as INSTRUMENT NO. 13-209044 OF OFFICIAL RECORDS.

10. Proceedings pending in the Bankruptcy Court of the CALIFORNIA CENTRAL - ORANGE District of the U.S. District Court, California, entitled in re: PATRICK G. HARVEY AND CATHLEEN D. HARVEY, debtor, Case No. 1310544, wherein a petition for relief was filed under Chapter 7 on January 21, 2013.

The effect of a document entitled "VOLUNTARY PETITION", recorded April 23, 2013 as INSTRUMENT NO. 13-242877 of Official Records.

11. Any easements and/or servitudes affecting easement parcel(s) B herein described.
12. Water rights, claims or title to water, whether or not shown by the public records.

INFORMATIONAL NOTES

Note: The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than the certain dollar amount set forth in any applicable arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. If you desire to review the terms of the policy, including any arbitration clause that may be included, contact the office that issued this Commitment or Report to obtain a sample of the policy jacket for the policy that is to be issued in connection with your transaction.

1. This report is preparatory to the issuance of an ALTA Loan Policy. We have no knowledge of any fact which would preclude the issuance of the policy with CLTA endorsement forms 100 and 116 and if applicable, 115 and 116.2 attached.

When issued, the CLTA endorsement form 116 or 116.2, if applicable will reference a(n) Single Family Residence known as 22202 ABRAZO, MISSION VIEJO, CA.

2. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None

3. Note: Please contact the MISSION VIEJO ENVIRONMENTAL AND LAKE MISSION VIEJO Homeowner's Association and/or their successors and assigns or any other appropriate entity regarding assessments, transfer fees and other requirements that may be due or imposed upon the contemplated transaction pursuant to the above document(s). Reference is made to the recorded document(s) for full particulars.

NOTE to proposed insured lender only: No Private transfer fee covenant, as defined in Federal Housing Finance Agency Final Rule 12 CFR Part 1228, that was created and first appears in the Public Records on or after February 8, 2011, encumbers the Title except as follows: None

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

LEGAL DESCRIPTION

Real property in the City of Mission Viejo, County of Orange, State of California, described as follows:

PARCEL A:

PARCEL 2, AS PER MAP RECORDED IN BOOK 119, PAGES 5 AND 6 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL MINERALS, OIL, GAS, PETROLEUM, OTHER HYDROCARBON SUBSTANCES AND ALL UNDERGROUND WATER IN OR UNDER OR WHICH MAY BE PRODUCED FROM SAID LAND WHICH UNDERLIES A PLANE PARALLEL TO AND 550 FEET BELOW THE PRESENT SURFACE OF SAID LAND FOR THE PURPOSE OF PROSPECTING FOR, THE EXPLORATION, DEVELOPMENT, PRODUCTION, EXTRACTION AND TAKING OF SAID MINERALS, OIL, GAS, PETROLEUM, OTHER HYDROCARBON SUBSTANCES AND WATER FROM SAID LAND BY MEANS OF MINES, WELLS, DERRICKS AND/OR OTHER EQUIPMENT FROM SURFACE LOCATIONS ON ADJOINING OR NEIGHBORING LAND OR LYING OUTSIDE OF THE ABOVE DESCRIBED LAND, IT BEING UNDERSTOOD THAT THE OWNER OF SUCH MINERALS, OIL, GAS, PETROLEUM, OTHER HYDROCARBON SUBSTANCES AND WATER, AS SET FORTH ABOVE, SHALL HAVE NO RIGHT TO ENTER UPON THE SURFACE OF THE ABOVE DESCRIBED LAND, NOR TO USE ANY OF THE SAID LAND OR ANY PORTION THEREOF ABOVE SAID PLANE PARALLEL TO AND 550 FEET BELOW THE PRESENT SURFACE OF THE SAID LAND FOR ANY PURPOSE WHATSOEVER.

PARCEL B:

NON-EXCLUSIVE EASEMENTS FOR ACCESS, INGRESS, EGRESS, ENCROACHMENT, DRAINAGE, REPAIR, MAINTENANCE, SUPPORT, AND FOR OTHER PURPOSES, ALL AS DESCRIBED IN THE RESTATEMENT AND AMENDMENT OF MASTER DECLARATION OF ENVIRONMENTAL COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS ("MASTER DECLARATION") RECORDED ON SEPTEMBER 20, 1976 AS INSTRUMENT NO. 24306 IN BOOK 11894, PAGE 121 ET SEQ. OF OFFICIAL RECORDS; THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR LAKE MISSION VIEJO ASSOCIATION ("THE LAKE ASSOCIATION") RECORDED IN NOVEMBER 15, 1976 AS INSTRUMENT NO. 22433 IN BOOK 11963, PAGE 889 ET SEQ. OF OFFICIAL RECORDS; AND THE NOTICE OF ADDITION OF TERRITORY AND SUPPLEMENTAL DECLARATION FOR INCREMENT NO. SP ("NOTICE") RECORDED ON OCTOBER 5, 1977 AS INSTRUMENT NO. 5295 IN BOOK 12404, PAGE 1632 ET SEQ. OF OFFICIAL RECORDS.

APN: 837-311-30



ASSESSOR'S MAP
BOOK 837 PAGE 31
COUNTY OF ORANGE

M.M. 411-15 TO 19 INC. NOTE - ASSESSOR'S BLOCK &
M.M. 415-1 TO 5 INC. PARCEL NUMBERS
P.M. 119-5 SHOWN IN CIRCLES

TRACT NO. 9576
TRACT NO. 8733
PARCEL MAP

MARCH 1978

NOTICE

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

WIRE INSTRUCTIONS

for

**First American Title Company, Demand/Draft Sub-Escrow Deposits
Orange County, California**

PAYABLE TO: First American Title Company
BANK: **First American Trust, FSB**
ADDRESS: 5 First American Way, Santa Ana, CA 92707
ACCOUNT NO: 3097160000
ROUTING NUMBER: 122241255

PLEASE REFERENCE THE FOLLOWING:

PROPERTY: 22202 Abrazo, Mission Viejo, CA 92691
FILE NUMBER: 9904-4522038 (de)
ATTENTION: Dennis Engalan

PLEASE USE THE ABOVE INFORMATION WHEN WIRING FUNDS TO **First American Title Company. FUNDS MUST BE WIRED FROM A BANK WITHIN THE UNITED STATES.** PLEASE NOTIFY **Dennis Engalan** AT **(714)481-1087** OR **DennisEngalan.title@firstam.com** WHEN YOU HAVE TRANSMITTED YOUR WIRE.

IF YOUR FUNDS ARE BEING WIRED FROM A NON-U.S. BANK, ADDITIONAL CHARGES MAY APPLY. PLEASE CONTACT YOUR ESCROW OFFICER/CLOSER FOR INTERNATIONAL WIRING INSTRUCTIONS.

PLEASE NOTE THAT AN ACH TRANSFER IS NOT THE SAME AS A WIRE, REQUIRES ADDITIONAL TIME FOR CLEARANCE AND MAY DELAY CLOSING.

FIRST AMERICAN TRUST CONTACT INFO: Banking Services 1-877-600-9473

**ALL WIRES WILL BE RETURNED IF THE FILE NUMBER
AND/OR PROPERTY REFERENCE ARE NOT INCLUDED**

EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - (a) building;
 - (b) zoning;
 - (c) land use;
 - (d) improvements on the Land;
 - (e) land division; and
 - (f) environmental protection.

This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.

2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - (a) that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - (b) that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
 - (c) that result in no loss to You; or
 - (d) that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - (a) to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - (b) in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 21.

7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows: For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

Your Deductible Amount

**Our Maximum Dollar
Limit of Liability**

Covered Risk 16: 1% of Policy Amount or \$2,500.00 (whichever is less)	\$10,000.00
Covered Risk 18: 1% of Policy Amount or \$5,000.00 (whichever is less)	\$25,000.00
Covered Risk 19: 1% of Policy Amount or \$5,000.00 (whichever is less)	\$25,000.00
Covered Risk 21: 1% of Policy Amount or \$2,500.00 (whichever is less)	\$5,000.00

ALTA RESIDENTIAL TITLE INSURANCE POLICY (6-1-87)

EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
 - (a) and use
 - (b) improvements on the land
 - (c) and division
 - (d) environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.

This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:

- (a) a notice of exercising the right appears in the public records on the Policy Date
 - (b) the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
 - 3. Title Risks:
 - (a) that are created, allowed, or agreed to by you
 - (b) that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
 - (c) that result in no loss to you
 - (d) that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
 - 4. Failure to pay value for your title.
 - 5. Lack of a right:
 - (a) to any land outside the area specifically described and referred to in Item 3 of Schedule A OR
 - (b) in streets, alleys, or waterways that touch your land
- This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

2006 ALTA LOAN POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

- 1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
- 2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
- 3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
- 4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
- 5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
- 6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
- 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

- 1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
- 2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an

inspection of the Land or that may be asserted by persons in possession of the Land.

3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 or 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07-26-10)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.



First American Title

Privacy Information

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our subsidiaries we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

Information Obtained Through Our Web Site

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet.

In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site.

There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

Business Relationships

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

Cookies

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive.

FirstAm.com uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

Fair Information Values

Fairness We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

Public Record We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

Use We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

Accuracy We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

Education We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

Security We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.

EXHIBIT “2”

PURCHASE AGREEMENT



CALIFORNIA
ASSOCIATION
OF REALTORS®

DISCLOSURE REGARDING
REAL ESTATE AGENCY RELATIONSHIP

(Selling Firm to Buyer)
(As required by the Civil Code)
(C.A.R. Form AD, Revised 11/12)

☐ (If checked) This form is being provided in connection with a transaction for a leaseholder interest in a dwelling exceeding one year as per Civil Code section 2079.13(j) and (l).

When you enter into a discussion with a real estate agent regarding a real estate transaction, you should from the outset understand what type of agency relationship or representation you wish to have with the agent in the transaction.

SELLER'S AGENT

A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or a subagent of that agent has the following affirmative obligations:

To the Seller: A Fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the Seller.

To the Buyer and the Seller:

- Diligent exercise of reasonable skill and care in performance of the agent's duties.
- A duty of honest and fair dealing and good faith.
- A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

BUYER'S AGENT

A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations:

To the Buyer: A fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the Buyer.

To the Buyer and the Seller:

- Diligent exercise of reasonable skill and care in performance of the agent's duties.
- A duty of honest and fair dealing and good faith.
- A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties.

An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

AGENT REPRESENTING BOTH SELLER AND BUYER

A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer.

In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer:

- A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either the Seller or the Buyer.
- Other duties to the Seller and the Buyer as stated above in their respective sections.

In representing both Seller and Buyer, the agent may not, without the express permission of the respective party, disclose to the other party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered.

The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect his or her own interests. You should carefully read all agreements to assure that they adequately express your understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

Throughout your real property transaction you may receive more than one disclosure form, depending upon the number of agents assisting in the transaction. The law requires each agent with whom you have more than a casual relationship to present you with this disclosure form. You should read its contents each time it is presented to you, considering the relationship between you and the real estate agent in your specific transaction. This disclosure form includes the provisions of Sections 2079.13 to 2079.24, inclusive, of the Civil Code set forth on page 2. Read it carefully. I/WE ACKNOWLEDGE RECEIPT OF A COPY OF THIS DISCLOSURE AND THE PORTIONS OF THE CIVIL CODE PRINTED ON THE BACK (OR A SEPARATE PAGE).

☒ Buyer ☐ Seller ☐ Landlord ☐ Tenant Jose J. Garcia Date 10-17-13

☒ Buyer ☐ Seller ☐ Landlord ☐ Tenant Rosa E. Garcia Date 10/17/13

Agent FIRST TEAM REAL ESTATE DRE Lic. # 01008773

By Sofia M Delgado DRE Lic. # 01401361 Date _____

(Salesperson or Broker-Associate) SOPIA M DELGADO

Agency Disclosure Compliance (Civil Code §2079.14):

- When the listing brokerage company also represents Buyer/Tenant: The Listing Agent shall have one AD form signed by Seller/Landlord and a different AD form signed by Buyer/Tenant.
- When Seller/Landlord and Buyer/Tenant are represented by different brokerage companies: (i) the Listing Agent shall have one AD form signed by Seller/Landlord and (ii) the Buyer's/Tenant's Agent shall have one AD form signed by Buyer/Tenant and either that same or a different AD form presented to Seller/Landlord for signature prior to presentation of the offer. If the same form is used, Seller may sign here:

Seller/Landlord _____ Date _____

Seller/Landlord _____ Date _____

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AD REVISED 11/12 (PAGE 1 OF 2)

Reviewed by _____ Date _____

DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP (AD PAGE 1 OF 2)

Agent: Sofia M Delgado

Phone: 949-246-1784

Fax: 949-837-3481

Prepared using zipForm® software

Broker: First Team Real Estate 27451 Los Altos #100 Mission Hills, CA 91345



2079.13 As used in Sections 2079.14 to 2079.24, inclusive, the following terms have the following meanings:

(a) "Agent" means a person acting under provisions of title 9 (commencing with Section 2295) in a real property transaction, and includes a person who is licensed as a real estate broker under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code, and under whose license a listing is executed or an offer to purchase is obtained. (b) "Associate licensee" means a person who is licensed as a real estate broker or salesperson under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code and who is either licensed under a broker or has entered into a written contract with a broker to act as the broker's agent in connection with acts requiring a real estate license and to function under the broker's supervision in the capacity of an associate licensee. The agent in the real property transaction bears responsibility for his or her associate licensees who perform as agents of the agent. When an associate licensee owes a duty to any principal, or to any buyer or seller who is not a principal, in a real property transaction, that duty is equivalent to the duty owed to that party by the broker for whom the associate licensee functions. (c) "Buyer" means a transferee in a real property transaction, and includes a person who executes an offer to purchase real property from a seller through an agent, or who seeks the services of an agent in more than a casual, transitory, or preliminary manner, with the object of entering into a real property transaction. "Buyer" includes vendee or lessee. (d) "Dual agent" means an agent acting, either directly or through an associate licensee, as agent for both the seller and the buyer in a real property transaction. (e) "Listing agreement" means a contract between an owner of real property and an agent, by which the agent has been authorized to sell the real property or to find or obtain a buyer. (f) "Listing agent" means a person who has obtained a listing of real property to act as an agent for compensation. (g) "Listing price" is the amount expressed in dollars specified in the listing for which the seller is willing to sell the real property through the listing agent. (h) "Offering price" is the amount expressed in dollars specified in an offer to purchase for which the buyer is willing to buy the real property. (i) "Offer to purchase" means a written contract executed by a buyer acting through a selling agent which becomes the contract for the sale of the real property upon acceptance by the seller. (j) "Real property" means any estate specified by subdivision (1) or (2) of Section 761 in property which constitutes or is improved with one to four dwelling units, any leasehold in this type of property exceeding one year's duration, and mobile homes, when offered for sale or sold through an agent pursuant to the authority contained in Section 10131.6 of the Business and Professions Code. (k) "Real property transaction" means a transaction for the sale of real property in which an agent is employed by one or more of the principals to act in that transaction, and includes a listing or an offer to purchase. (l) "Sell," "sale," or "sold" refers to a transaction for the transfer of real property from the seller to the buyer, and includes exchanges of real property between the seller and buyer, transactions for the creation of a real property sales contract within the meaning of Section 2985, and transactions for the creation of a leasehold exceeding one year's duration. (m) "Seller" means the transferor in a real property transaction, and includes an owner who lists real property with an agent, whether or not a transfer results, or who receives an offer to purchase real property of which he or she is the owner from an agent on behalf of another. "Seller" includes both a vendor and a lessor. (n) "Selling agent" means a listing agent who acts alone, or an agent who acts in cooperation with a listing agent, and who sells or finds and obtains a buyer for the real property, or an agent who locates property for a buyer or who finds a buyer for a property for which no listing exists and presents an offer to purchase to the seller. (o) "Subagent" means a person to whom an agent delegates agency powers as provided in Article 5 (commencing with Section 2349) of Chapter 1 of Title 9. However, "subagent" does not include an associate licensee who is acting under the supervision of an agent in a real property transaction.

2079.14 Listing agents and selling agents shall provide the seller and buyer in a real property transaction with a copy of the disclosure form specified in Section 2079.16, and, except as provided in subdivision (c), shall obtain a signed acknowledgement of receipt from that seller or buyer, except as provided in this section or Section 2079.15, as follows: (a) The listing agent, if any, shall provide the disclosure form to the seller prior to entering into the listing agreement. (b) The selling agent shall provide the disclosure form to the seller as soon as practicable prior to presenting the seller with an offer to purchase, unless the selling agent previously provided the seller with a copy of the disclosure form pursuant to subdivision (a). (c) Where the selling agent does not deal on a face-to-face basis with the seller, the disclosure form prepared by the selling agent may be furnished to the seller (and acknowledgement of receipt obtained for the selling agent from the seller) by the listing agent, or the selling agent may deliver the disclosure form by certified mail addressed to the seller at his or her last known address, in which case no signed acknowledgement of receipt is required. (d) The selling agent shall provide the disclosure form to the buyer as soon as practicable prior to execution of the buyer's offer to purchase, except that if the offer to purchase is not prepared by the selling agent, the selling agent shall present the disclosure form to the buyer not later than the next business day after the selling agent receives the offer to purchase from the buyer.

2079.15 In any circumstance in which the seller or buyer refuses to sign an acknowledgement of receipt pursuant to Section 2079.14, the agent, or an associate licensee acting for an agent, shall set forth, sign, and date a written declaration of the facts of the refusal.

2079.16 Reproduced on Page 1 of this AD form.

2079.17 (a) As soon as practicable, the selling agent shall disclose to the buyer and seller whether the selling agent is acting in the real property transaction exclusively as the buyer's agent, exclusively as the seller's agent, or as a dual agent representing both the buyer and the seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller, the buyer, and the selling agent prior to or coincident with execution of that contract by the buyer and the seller, respectively. (b) As soon as practicable, the listing agent shall disclose to the seller whether the listing agent is acting in the real property transaction exclusively as the seller's agent, or as a dual agent representing both the buyer and seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller and the listing agent prior to or coincident with the execution of that contract by the seller.

(c) The confirmation required by subdivisions (a) and (b) shall be in the following form.

(DO NOT COMPLETE, SAMPLE ONLY)

(Name of Listing Agent)

is the agent of (check one): ☐ the seller exclusively; or ☐ both the buyer and seller.

(DO NOT COMPLETE, SAMPLE ONLY)

(Name of Selling Agent if not the same as the Listing Agent)

is the agent of (check one): ☐ the buyer exclusively; or ☐ the seller exclusively; or ☐ both the buyer and seller.

(d) The disclosures and confirmation required by this section shall be in addition to the disclosure required by Section 2079.14.

2079.18 No selling agent in a real property transaction may act as an agent for the buyer only, when the selling agent is also acting as the listing agent in the transaction.

2079.19 The payment of compensation or the obligation to pay compensation to an agent by the seller or buyer is not necessarily determinative of a particular agency relationship between an agent and the seller or buyer. A listing agent and a selling agent may agree to share any compensation or commission paid, or any right to any compensation or commission for which an obligation arises as the result of a real estate transaction, and the terms of any such agreement shall not necessarily be determinative of a particular relationship.

2079.20 Nothing in this article prevents an agent from selecting, as a condition of the agent's employment, a specific form of agency relationship not specifically prohibited by this article if the requirements of Section 2079.14 and Section 2079.17 are complied with.

2079.21 A dual agent shall not disclose to the buyer that the seller is willing to sell the property at a price less than the listing price, without the express written consent of the seller. A dual agent shall not disclose to the seller that the buyer is willing to pay a price greater than the offering price, without the express written consent of the buyer. This section does not alter in any way the duty or responsibility of a dual agent to any principal with respect to confidential information other than price.

2079.22 Nothing in this article precludes a listing agent from also being a selling agent, and the combination of these functions in one agent does not, of itself, make that agent a dual agent.

2079.23 A contract between the principal and agent may be modified or altered to change the agency relationship at any time before the performance of the act which is the object of the agency with the written consent of the parties to the agency relationship.

2079.24 Nothing in this article shall be construed to either diminish the duty of disclosure owed buyers and sellers by agents and their associate licensees, subagents, and employees or to relieve agents and their associate licensees, subagents, and employees from liability for their conduct in connection with acts governed by this article or for any breach of a fiduciary duty or a duty of disclosure.



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EXHIBIT "2"
Page 42

Reviewed by _____ Date _____

DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP (AD PAGE 2 OF 2)

Jose J Garcia and





CALIFORNIA
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OF REALTORS®

California
Main Document Page 45 of 66
**RESIDENTIAL PURCHASE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS**

For Use With Single Family Residential Property — Attached or Detached
(C.A.R. Form RPA-CA, Revised 4/10)

Date October 17, 2013

1. OFFER:

- A. THIS IS AN OFFER FROM JOSE J GARCIA, ROSA E GARCIA ("Buyer").
B. THE REAL PROPERTY TO BE ACQUIRED is described as 22202 ABRAZO, MISSION VIEJO, CA 92691, Assessor's Parcel No. 837-31-130, situated in MISSION VIEJO, County of ORANGE, California, ("Property").
C. THE PURCHASE PRICE offered is Seven Hundred Thousand (Dollars \$ 700,000.00).
D. CLOSE OF ESCROW shall occur on _____ (date) (or ☒ 30 Days After Acceptance).

2. AGENCY:

- A. DISCLOSURE: Buyer and Seller each acknowledge prior receipt of a "Disclosure Regarding Real Estate Agency Relationships" (C.A.R. Form AD).
B. POTENTIALLY COMPETING BUYERS AND SELLERS: Buyer and Seller each acknowledge receipt of a disclosure of the possibility of multiple representation by the Broker representing that principal. This disclosure may be part of a listing agreement, buyer representation agreement or separate document (C.A.R. Form DA). Buyer understands that Broker representing Buyer may also represent other potential buyers, who may consider, make offers on or ultimately acquire the Property. Seller understands that Broker representing Seller may also represent other sellers with competing properties of interest to this Buyer.
C. CONFIRMATION: The following agency relationships are hereby confirmed for this transaction:
Listing Agent CAPSTONE REAL ESTATE GROUP (Print Firm Name) is the agent of (check one): ☒ the Seller exclusively; or ☐ both the Buyer and Seller.
Selling Agent FIRST TEAM REAL ESTATE (Print Firm Name) (if not the same as the Listing Agent) is the agent of (check one): ☒ the Buyer exclusively; or ☐ the Seller exclusively; or ☐ both the Buyer and Seller. Real Estate Brokers are not parties to the Agreement between Buyer and Seller.

3. FINANCE TERMS: Buyer represents that funds will be good when deposited with Escrow Holder.

- A. INITIAL DEPOSIT: Deposit shall be in the amount of \$ 10,000.00
(1) Buyer shall deliver deposit directly to Escrow Holder by personal check, ☐ electronic funds transfer, ☐ Other _____ within 3 business days after acceptance (or ☐ Other _____);
OR (2) (If checked) ☐ Buyer has given the deposit by personal check (or ☐ _____) to the agent submitting the offer (or to ☐ _____). The deposit shall be held uncashed until Acceptance and then deposited with Escrow Holder (or ☐ into Broker's trust account) within 3 business days after Acceptance (or ☐ Other _____).
B. INCREASED DEPOSIT: Buyer shall deposit with Escrow Holder an increased deposit in the amount of \$ _____ within _____ Days After Acceptance, or ☐ _____.
If a liquidated damages clause is incorporated into this Agreement, Buyer and Seller shall sign a separate liquidated damages clause (C.A.R. Form RID) for any increased deposit at the time it is deposited.
C. LOAN(S):
(1) FIRST LOAN: in the amount of \$ 560,000.00
This loan will be conventional financing or, if checked, ☐ FHA, ☐ VA, ☐ Seller (C.A.R. Form SFA), ☐ assumed financing (C.A.R. Form PAA), ☐ Other _____. This loan shall be at a fixed rate not to exceed _____ % or, ☐ an adjustable rate loan with initial rate not to exceed _____ %. Regardless of the type of loan, Buyer shall pay points not to exceed 1.00 % of the loan amount.
(2) ☐ SECOND LOAN: in the amount of \$ _____
This loan will be conventional financing or, if checked, ☐ Seller (C.A.R. Form SFA), ☐ assumed financing (C.A.R. Form PAA), ☐ Other _____. This loan shall be at a fixed rate not to exceed _____ % or, ☐ an adjustable rate loan with initial rate not to exceed _____ %. Regardless of the type of loan, Buyer shall pay points not to exceed _____ % of the loan amount.
(3) FHA/VA: For any FHA or VA loan specified above, Buyer has 17 (or ☐ _____) Days After Acceptance to Deliver to Seller written notice (C.A.R. Form FVA) of any lender-required repairs or costs that Buyer requests Seller to pay for or repair. Seller has no obligation to pay for repairs or satisfy lender requirements unless otherwise agreed in writing.
D. ADDITIONAL FINANCING TERMS: _____
E. BALANCE OF PURCHASE PRICE OR DOWN PAYMENT: in the amount of \$ 130,000.00 to be deposited with Escrow Holder within sufficient time to close escrow.
F. PURCHASE PRICE (TOTAL): \$ 700,000.00

Buyer's Initials (JS) (RG)

Seller's Initials (JS) (RG)

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RPA-CA REVISED 4/10 (PAGE 1 OF 8)

Reviewed by _____ Date _____

CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 1 OF 8)

Agent: Sofia M Delgado

Phone: 949-245-1784

Fax: 949-837-3481

Prepared using zipForm® software

Broker: First Team Real Estate 27451 Los Altos #100 Mission Viejo, CA 92691

EXHIBIT "2"

Property Address: MISSION VIEJO, CA 92691

Date: October 17, 2013

G. VERIFICATION OF DOWN PAYMENT AND CLOSING COSTS: Buyer (or Buyer's lender or loan broker pursuant to 3H(1)) shall, within 7 (or ☐ _____) Days After Acceptance, Deliver to Seller written verification of Buyer's down payment and closing costs. (If checked, ☐ verification attached.)

H. LOAN TERMS:

(1) LOAN APPLICATIONS: Within 7 (or ☐ _____) Days After Acceptance, Buyer shall Deliver to Seller a letter from lender or loan broker stating that, based on a review of Buyer's written application and credit report, Buyer is prequalified or preapproved for any NEW loan specified in 3C above. (If checked, ☐ letter attached.)

(2) LOAN CONTINGENCY: Buyer shall act diligently and in good faith to obtain the designated loan(s). Obtaining the loan(s) specified above is a contingency of this Agreement unless otherwise agreed in writing. Buyer's contractual obligations to obtain and provide deposit, balance of down payment and closing costs are not contingencies of this Agreement.

(3) LOAN CONTINGENCY REMOVAL:

(i) Within 17 (or ☐ _____) Days After Acceptance, Buyer shall, as specified in paragraph 14, in writing remove the loan contingency or cancel this Agreement;

OR (ii) (if checked) ☐ the loan contingency shall remain in effect until the designated loans are funded.

(4) ☐ NO LOAN CONTINGENCY (If checked): Obtaining any loan specified above is NOT a contingency of this Agreement. If Buyer does not obtain the loan and as a result Buyer does not purchase the Property, Seller may be entitled to Buyer's deposit or other legal remedies.

I. APPRAISAL CONTINGENCY AND REMOVAL: This Agreement is (or, if checked, ☐ is NOT) contingent upon a written appraisal of the Property by a licensed or certified appraiser at no less than the specified purchase price. If there is a loan contingency, Buyer's removal of the loan contingency shall be deemed removal of this appraisal contingency (or, ☐ if checked, Buyer shall, as specified in paragraph 14B(3), in writing remove the appraisal contingency or cancel this Agreement within 17 (or _____) Days After Acceptance). If there is no loan contingency, Buyer shall, as specified in paragraph 14B(3), in writing remove the appraisal contingency or cancel this Agreement within 17 (or _____) Days After Acceptance.

J. ☐ ALL CASH OFFER (If checked): Buyer shall, within 7 (or ☐ _____) Days After Acceptance, Deliver to Seller written verification of sufficient funds to close this transaction. (If checked, ☐ verification attached.)

K. BUYER STATED FINANCING: Seller has relied on Buyer's representation of the type of financing specified (including but not limited to, as applicable, amount of down payment, contingent or non contingent loan, or all cash). If Buyer seeks alternate financing, (i) Seller has no obligation to cooperate with Buyer's efforts to obtain such financing, and (ii) Buyer shall also pursue the financing method specified in this Agreement. Buyer's failure to secure alternate financing does not excuse Buyer from the obligation to purchase the Property and close escrow as specified in this Agreement.

4. ALLOCATION OF COSTS (If checked): Unless otherwise specified in writing, this paragraph only determines who is to pay for the inspection, test or service ("Report") mentioned; it does not determine who is to pay for any work recommended or identified in the Report.

A. INSPECTIONS AND REPORTS:

(1) ☐ Buyer ☐ Seller shall pay for an inspection and report for wood destroying pests and organisms ("Wood Pest Report") prepared by _____ a registered structural pest control company.

(2) ☐ Buyer ☐ Seller shall pay to have septic or private sewage disposal systems pumped and inspected _____.

(3) ☐ Buyer ☐ Seller shall pay to have domestic wells tested for water potability and productivity _____.

(4) ☐ Buyer ☒ Seller shall pay for a natural hazard zone disclosure report prepared by _____.

(5) ☐ Buyer ☐ Seller shall pay for the following inspection or report _____.

(6) ☐ Buyer ☐ Seller shall pay for the following inspection or report _____.

B. GOVERNMENT REQUIREMENTS AND RETROFIT:

(1) ☐ Buyer ☒ Seller shall pay for smoke detector installation and/or water heater bracing, if required by Law. Prior to Close Of Escrow, Seller shall provide Buyer written statement(s) of compliance in accordance with state and local Law, unless exempt.

(2) ☐ Buyer ☒ Seller shall pay the cost of compliance with any other minimum mandatory government retrofit standards, inspections and reports if required as a condition of closing escrow under any Law. _____.

C. ESCROW AND TITLE:

(1) ☒ Buyer ☒ Seller shall pay escrow fee EACH TO PAY THEIR OWN
Escrow Holder shall be _____.

(2) ☐ Buyer ☒ Seller shall pay for owner's title insurance policy specified in paragraph 12E _____
Owner's title policy to be issued by _____
(Buyer shall pay for any title insurance policy insuring Buyer's lender, unless otherwise agreed in writing.)

D. OTHER COSTS:

(1) ☐ Buyer ☒ Seller shall pay County transfer tax or fee _____.

(2) ☐ Buyer ☐ Seller shall pay City transfer tax or fee _____.

(3) ☐ Buyer ☐ Seller shall pay Homeowner's Association ("HOA") transfer fee _____.

(4) ☐ Buyer ☒ Seller shall pay HOA document preparation fees _____.

(5) ☐ Buyer ☒ Seller shall pay for any private transfer fee _____.

(6) ☐ Buyer ☐ Seller shall pay the cost, not to exceed \$ _____, of a one-year home warranty plan, issued by _____, with the following optional coverages:

☐ Air Conditioner ☐ Pool/Spa ☐ Code and Permit upgrade ☐ Other: _____.

Buyer is informed that home warranty plans have many optional coverages in addition to those listed above. Buyer is advised to investigate these coverages to determine those that may be suitable for Buyer.

(7) ☐ Buyer ☐ Seller shall pay for _____.

(8) ☐ Buyer ☐ Seller shall pay for _____.

Buyer's Initials (SS) (RS)

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RPA-CA REVISED 4/10 (PAGE 2 OF 8)

Seller's Initials (W) (_____)

Reviewed by _____ Date _____



CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 2 OF 8)

Jose J Garcia and

Property Address: MISSION VIEJO, CA 92691

Date: October 17, 2013

5. CLOSING AND POSSESSION:

- A. Buyer intends (or ☐ does not intend) to occupy the Property as Buyer's primary residence.
- B. Seller-occupied or vacant property: Possession shall be delivered to Buyer at 5 PM or (☐ _____ ☐ AM ☐ PM), on the date of Close Of Escrow; ☐ on _____; or ☐ no later than _____ Days After Close Of Escrow. If transfer of title and possession do not occur at the same time, Buyer and Seller are advised to: (i) enter into a written occupancy agreement (C.A.R. Form PAA, paragraph 2); and (ii) consult with their insurance and legal advisors.

C. Tenant-occupied property:

(i) Property shall be vacant at least 5 (or ☐ _____) Days Prior to Close Of Escrow, unless otherwise agreed in writing. **Note to Seller:** if you are unable to deliver Property vacant in accordance with rent control and other applicable Law, you may be in breach of this Agreement.

OR (ii) (if checked) ☐ Tenant to remain in possession. (C.A.R. Form PAA, paragraph 3)

- D. At Close Of Escrow, (i) Seller assigns to Buyer any assignable warranty rights for items included in the sale, and (ii) Seller shall Deliver to Buyer available Copies of warranties. Brokers cannot and will not determine the assignability of any warranties.
- E. At Close Of Escrow, unless otherwise agreed in writing, Seller shall provide keys and/or means to operate all locks, mailboxes, security systems, alarms and garage door openers. If Property is a condominium or located in a common interest subdivision, Buyer may be required to pay a deposit to the Homeowners' Association ("HOA") to obtain keys to accessible HOA facilities.

6. STATUTORY DISCLOSURES (INCLUDING LEAD-BASED PAINT HAZARD DISCLOSURES) AND CANCELLATION RIGHTS:

- A. (1) Seller shall, within the time specified in paragraph 14A, Deliver to Buyer, if required by Law: (i) Federal Lead-Based Paint Disclosures (C.A.R. Form FLD) and pamphlet ("Lead Disclosures"); and (ii) disclosures or notices required by sections 1102 et. seq. and 1103 et. seq. of the Civil Code ("Statutory Disclosures"). Statutory Disclosures include, but are not limited to, a Real Estate Transfer Disclosure Statement ("TDS"), Natural Hazard Disclosure Statement ("NHD"), notice or actual knowledge of release of illegal controlled substance, notice of special tax and/or assessments (or, if allowed, substantially equivalent notice regarding the Mello-Roos Community Facilities Act and Improvement Bond Act of 1915) and, if Seller has actual knowledge, of industrial use and military ordinance location (C.A.R. Form SPQ or SSD).

(2) Buyer shall, within the time specified in paragraph 14B(1), return Signed Copies of the Statutory and Lead Disclosures to Seller.

(3) In the event Seller, prior to Close Of Escrow, becomes aware of adverse conditions materially affecting the Property, or any material inaccuracy in disclosures, information or representations previously provided to Buyer, Seller shall promptly provide a subsequent or amended disclosure or notice, in writing, covering those items. However, a subsequent or amended disclosure shall not be required for conditions and material inaccuracies of which Buyer is otherwise aware, or which are disclosed in reports provided to or obtained by Buyer or ordered and paid for by Buyer.

(4) If any disclosure or notice specified in 6A(1), or subsequent or amended disclosure or notice is Delivered to Buyer after the offer is Signed, Buyer shall have the right to cancel this Agreement within 3 Days After Delivery in person, or 5 Days After Delivery by deposit in the mail, by giving written notice of cancellation to Seller or Seller's agent.

(5) Note to Buyer and Seller: Waiver of Statutory and Lead Disclosures is prohibited by Law.

- B. **NATURAL AND ENVIRONMENTAL HAZARDS:** Within the time specified in paragraph 14A, Seller shall, if required by Law: (i) Deliver to Buyer earthquake guides (and questionnaire) and environmental hazards booklet; (ii) even if exempt from the obligation to provide a NHD, disclose if the Property is located in a Special Flood Hazard Area; Potential Flooding (Inundation) Area; Very High Fire Hazard Zone; State Fire Responsibility Area; Earthquake Fault Zone; Seismic Hazard Zone; and (iii) disclose any other zone as required by Law and provide any other information required for those zones.

- C. **WITHHOLDING TAXES:** Within the time specified in paragraph 14A, to avoid required withholding, Seller shall Deliver to Buyer or qualified substitute, an affidavit sufficient to comply with federal (FIRPTA) and California withholding Law, (C.A.R. Form AS or QS).

- D. **MEGAN'S LAW DATABASE DISCLOSURE:** Notice: Pursuant to Section 290.46 of the Penal Code, information about specified registered sex offenders is made available to the public via an Internet Web site maintained by the Department of Justice at www.meganslaw.ca.gov. Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community of residence and ZIP Code in which he or she resides. (Neither Seller nor Brokers are required to check this website. If Buyer wants further information, Broker recommends that Buyer obtain information from this website during Buyer's inspection contingency period. Brokers do not have expertise in this area.)

7. CONDOMINIUM/PLANNED DEVELOPMENT DISCLOSURES:

- A. **SELLER HAS:** 7 (or ☐ _____) Days After Acceptance to disclose to Buyer whether the Property is a condominium, or is located in a planned development or other common interest subdivision (C.A.R. Form SPQ or SSD).

- B. If the Property is a condominium or is located in a planned development or other common interest subdivision, Seller has 3 (or ☐ _____) Days After Acceptance to request from the HOA (C.A.R. Form HOA): (i) Copies of any documents required by Law; (ii) disclosure of any pending or anticipated claim or litigation by or against the HOA; (iii) a statement containing the location and number of designated parking and storage spaces; (iv) Copies of the most recent 12 months of HOA minutes for regular and special meetings; and (v) the names and contact information of all HOAs governing the Property (collectively, "CI Disclosures"). Seller shall itemize and Deliver to Buyer all CI Disclosures received from the HOA and any CI Disclosures in Seller's possession. Buyer's approval of CI Disclosures is a contingency of this Agreement as specified in paragraph 14B(3).

8. ITEMS INCLUDED IN AND EXCLUDED FROM PURCHASE PRICE:

- A. **NOTE TO BUYER AND SELLER:** Items listed as included or excluded in the MLS, flyers or marketing materials are not included in the purchase price or excluded from the sale unless specified in 8B or C.

B. ITEMS INCLUDED IN SALE:

- (1) All EXISTING fixtures and fittings that are attached to the Property;
- (2) EXISTING electrical, mechanical, lighting, plumbing and heating fixtures, ceiling fans, fireplace inserts, gas logs and grates, solar systems, built-in appliances, window and door screens, awnings, shutters, window coverings, attached floor coverings, television antennas, satellite dishes, private integrated telephone systems, air coolers/conditioners, pool/spa equipment, garage door openers/remote controls, mailbox, in-ground landscaping, trees/shrubs, water softeners, water purifiers, security systems/alarms; (If checked ☒ stove(s), ☐ refrigerator(s); and
- (3) The following additional items: _____
- (4) Seller represents that all items included in the purchase price, unless otherwise specified, are owned by Seller.
- (5) All items included shall be transferred free of liens and without Seller warranty.

- C. **ITEMS EXCLUDED FROM SALE:** Unless otherwise specified, audio and video components (such as flat screen TVs and speakers) are excluded if any such item is not itself attached to the Property, even if a bracket or other mechanism attached to the component is attached to the Property; and _____

Buyer's Initials (JS) (RL)Seller's Initials (W) (_____)

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RPA-CA REVISED 4/10 (PAGE 3 OF 8)

EXHIBIT "2"

Reviewed by _____ Date _____

CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 3 OF 8)



Jose J Garcia and

Property Address: MISSION VIEJO, CA 92691

Date: October 17, 2013

9. **CONDITION OF PROPERTY:** Unless otherwise agreed: (i) the Property is sold (a) in its PRESENT physical ("as-is") condition as of the date of Acceptance and (b) subject to Buyer's Investigation rights; (ii) the Property, including pool, spa, landscaping and grounds, is to be maintained in substantially the same condition as on the date of Acceptance; and (iii) all debris and personal property not included in the sale shall be removed by Seller by Close Of Escrow.

- A. Seller shall, within the time specified in paragraph 14A, DISCLOSE KNOWN MATERIAL FACTS AND DEFECTS affecting the Property, including known insurance claims within the past five years, and make any and all other disclosures required by law.
- B. Buyer has the right to inspect the Property and, as specified in paragraph 14B, based upon information discovered in those inspections: (i) cancel this Agreement; or (ii) request that Seller make Repairs or take other action.
- C. Buyer is strongly advised to conduct investigations of the entire Property in order to determine its present condition. Seller may not be aware of all defects affecting the Property or other factors that Buyer considers important. Property improvements may not be built according to code, in compliance with current Law, or have had permits issued.

10. **BUYER'S INVESTIGATION OF PROPERTY AND MATTERS AFFECTING PROPERTY:**

- A. Buyer's acceptance of the condition of, and any other matter affecting the Property, is a contingency of this Agreement as specified in this paragraph and paragraph 14B. Within the time specified in paragraph 14B(1), Buyer shall have the right, at Buyer's expense unless otherwise agreed, to conduct inspections, investigations, tests, surveys and other studies ("Buyer Investigations"), including, but not limited to, the right to: (i) inspect for lead-based paint and other lead-based paint hazards; (ii) inspect for wood destroying pests and organisms; (iii) review the registered sex offender database; (iv) confirm the insurability of Buyer and the Property; and (v) satisfy Buyer as to any matter specified in the attached Buyer's Inspection Advisory (C.A.R. Form BIA). Without Seller's prior written consent, Buyer shall neither make nor cause to be made: (i) invasive or destructive Buyer Investigations; or (ii) inspections by any governmental building or zoning inspector or government employee, unless required by Law.
- B. Seller shall make the Property available for all Buyer Investigations. Buyer shall (i) as specified in paragraph 14B, complete Buyer Investigations and, either remove the contingency or cancel this Agreement, and (ii) give Seller, at no cost, complete Copies of all Investigation reports obtained by Buyer, which obligation shall survive the termination of this Agreement.
- C. Seller shall have water, gas, electricity and all operable pilot lights on for Buyer's Investigations and through the date possession is made available to Buyer.
- D. **Buyer indemnity and Seller protection for entry upon property:** Buyer shall: (i) keep the Property free and clear of liens; (ii) repair all damage arising from Buyer Investigations; and (iii) indemnify and hold Seller harmless from all resulting liability, claims, demands, damages and costs of Buyer's investigations. Buyer shall carry, or Buyer shall require anyone acting on Buyer's behalf to carry, policies of liability, workers' compensation and other applicable insurance, defending and protecting Seller from liability for any injuries to persons or property occurring during any Buyer Investigations or work done on the Property at Buyer's direction prior to Close Of Escrow. Seller is advised that certain protections may be afforded Seller by recording a "Notice of Non-responsibility" (C.A.R. Form NNR) for Buyer Investigations and work done on the Property at Buyer's direction. Buyer's obligations under this paragraph shall survive the termination or cancellation of this Agreement and Close of Escrow.

11. **SELLER DISCLOSURES; ADDENDA; ADVISORIES; OTHER TERMS:**

- A. **Seller Disclosures (if checked):** Seller shall, within the time specified in paragraph 14A, complete and provide Buyer with a:
- | | | |
|---|----|---|
| <input checked="" type="checkbox"/> Seller Property Questionnaire (C.A.R. Form SPQ) | OR | <input checked="" type="checkbox"/> Supplemental Contractual and Statutory Disclosure (C.A.R. Form SSD) |
|---|----|---|
- B. **Addenda (if checked):**
- | | |
|--|---|
| <input type="checkbox"/> Wood Destroying Pest Inspection and Allocation of Cost Addendum (C.A.R. Form WPA) | <input type="checkbox"/> Addendum # _____ (C.A.R. Form ADM) |
| <input type="checkbox"/> Purchase Agreement Addendum (C.A.R. Form PAA) | <input type="checkbox"/> Septic, Well and Property Monument Addendum (C.A.R. Form SWPI) |
| <input type="checkbox"/> Short Sale Addendum (C.A.R. Form SSA) | <input type="checkbox"/> Other _____ |
- C. **Advisories (if checked):**
- | | |
|---|--|
| <input type="checkbox"/> Probate Advisory (C.A.R. Form PAK) | <input checked="" type="checkbox"/> Buyer's Inspection Advisory (C.A.R. Form BIA) |
| <input type="checkbox"/> Trust Advisory (C.A.R. Form TA) | <input checked="" type="checkbox"/> Statewide Buyer and Seller Advisory (C.A.R. Form SBSA) |
| | <input type="checkbox"/> REO Advisory (C.A.R. Form REO) |
- D. **Other Terms:**

12. **TITLE AND VESTING:**

- A. Within the time specified in paragraph 14, Buyer shall be provided a current preliminary title report, which shall include a search of the General Index. Seller shall within 7 Days After Acceptance give Escrow Holder a completed Statement of Information. The preliminary report is only an offer by the title insurer to issue a policy of title insurance and may not contain every item affecting title. Buyer's review of the preliminary report and any other matters which may affect title are a contingency of this Agreement as specified in paragraph 14B.
- B. Title is taken in its present condition subject to all encumbrances, easements, covenants, conditions, restrictions, rights and other matters, whether of record or not, as of the date of Acceptance except: (i) monetary liens of record unless Buyer is assuming those obligations or taking the Property subject to those obligations; and (ii) those matters which Seller has agreed to remove in writing.
- C. Within the time specified in paragraph 14A, Seller has a duty to disclose to Buyer all matters known to Seller affecting title, whether of record or not.
- D. At Close Of Escrow, Buyer shall receive a grant deed conveying title (or, for stock cooperative or long-term lease, an assignment of stock certificate or of Seller's leasehold interest), including oil, mineral and water rights if currently owned by Seller. Title shall vest as designated in Buyer's supplemental escrow instructions. THE MANNER OF TAKING TITLE MAY HAVE SIGNIFICANT LEGAL AND TAX CONSEQUENCES. CONSULT AN APPROPRIATE PROFESSIONAL.
- E. Buyer shall receive a CLTA/ALTA Homeowner's Policy of Title Insurance. A title company, at Buyer's request, can provide information about the availability, desirability, coverage, survey requirements, and cost of various title insurance coverages and endorsements. If Buyer desires title coverage other than that required by this paragraph, Buyer shall instruct Escrow Holder in writing and pay any increase in cost.

13. **SALE OF BUYER'S PROPERTY:**

- A. This Agreement is NOT contingent upon the sale of any property owned by Buyer.

OR B. ☐ (If checked): The attached addendum (C.A.R. Form COP) regarding the contingency for the sale of property owned by Buyer is incorporated into this Agreement.

Buyer's Initials (JS) (RS)

Seller's Initials (W) (_____)

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Reviewed by _____ Date _____



CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 4 OF 8)

Jose J Garcia and

Property Address: MISSION VIEJO, CA 92691

Date: October 17, 2013

14. **TIME PERIODS; REMOVAL OF CONTINGENCIES; CANCELLATION RIGHTS:** The following time periods may only be extended, altered, modified or changed by mutual written agreement. Any removal of contingencies or cancellation under this paragraph by either Buyer or Seller must be exercised in good faith and in writing (C.A.R. Form CR or CC).

A. **SELLER HAS:** 7 (or ☐ _____) Days After Acceptance to Deliver to Buyer all Reports, disclosures and information for which Seller is responsible under paragraphs 4, 6A, B and C, 7A, 9A, 11A and B, and 12. Buyer may give Seller a Notice to Seller to Perform (C.A.R. Form NSP) if Seller has not Delivered the items within the time specified.

B. (1) **BUYER HAS:** 17 (or ☐ _____) Days After Acceptance, unless otherwise agreed in writing, to:

(i) complete all Buyer Investigations; approve all disclosures, reports and other applicable information, which Buyer receives from Seller; and approve all other matters affecting the Property; and

(ii) Deliver to Seller Signed Copies of Statutory and Lead Disclosures Delivered by Seller in accordance with paragraph 6A.

(2) Within the time specified in 14B(1), Buyer may request that Seller make repairs or take any other action regarding the Property (C.A.R. Form RR). Seller has no obligation to agree to or respond to Buyer's requests.

(3) Within the time specified in 14B(1) (or as otherwise specified in this Agreement), Buyer shall Deliver to Seller either (i) a removal of the applicable contingency (C.A.R. Form CR), or (ii) a cancellation (C.A.R. Form CC) of this Agreement based upon a contingency or Seller's failure to Deliver the specified items. However, if any report, disclosure or information for which Seller is responsible is not Delivered within the time specified in 14A, then Buyer has 5 (or ☐ _____) Days After Delivery of any such items, or the time specified in 14B(1), whichever is later, to Deliver to Seller a removal of the applicable contingency or cancellation of this Agreement.

(4) **Continuation of Contingency:** Even after the end of the time specified in 14B(1) and before Seller cancels this Agreement, if at all, pursuant to 14C, Buyer retains the right to either (i) in writing remove remaining contingencies, or (ii) cancel this Agreement based upon a remaining contingency or Seller's failure to Deliver the specified terms. Once Buyer's written removal of all contingencies is Delivered to Seller, Seller may not cancel this Agreement pursuant to 14C(1).

C. **SELLER RIGHT TO CANCEL:**

(1) **Seller right to Cancel; Buyer Contingencies:** If, within time specified in this Agreement, Buyer does not, in writing, Deliver to Seller a removal of the applicable contingency or cancellation of this Agreement then Seller, after first Delivering to Buyer a Notice to Buyer to Perform (C.A.R. Form NBP) may cancel this Agreement. In such event, Seller shall authorize return of Buyer's deposit.

(2) **Seller right to Cancel; Buyer Contract Obligations:** Seller, after first Delivering to Buyer a NBP may cancel this Agreement for any of the following reasons: (i) if Buyer fails to deposit funds as required by 3A or 3B; (ii) if the funds deposited pursuant to 3A or 3B are not good when deposited; (iii) if Buyer fails to Deliver a notice of FHA or VA costs or terms as required by 3C(3) (C.A.R. Form FVA); (iv) if Buyer fails to Deliver a letter as required by 3H; (v) if Buyer fails to Deliver verification as required by 3G or 3J; (vi) if Seller reasonably disapproves of the verification provided by 3G or 3J; (vii) if Buyer fails to return Statutory and Lead Disclosures as required by paragraph 6A(2); or (viii) if Buyer fails to sign or initial a separate liquidated damage form for an increased deposit as required by paragraphs 3B and 25. In such event, Seller shall authorize return of Buyer's deposit.

(3) **Notice To Buyer To Perform:** The NBP shall: (i) be in writing; (ii) be signed by Seller; and (iii) give Buyer at least 2 (or ☐ _____) Days After Delivery (or until the time specified in the applicable paragraph, whichever occurs last) to take the applicable action. A NBP may not be Delivered any earlier than 2 Days Prior to the expiration of the applicable time for Buyer to remove a contingency or cancel this Agreement or meet an obligation specified in 14C(2).

D. **EFFECT OF BUYER'S REMOVAL OF CONTINGENCIES:** If Buyer removes, in writing, any contingency or cancellation rights, unless otherwise specified in a separate written agreement between Buyer and Seller, Buyer shall with regard to that contingency or cancellation right conclusively be deemed to have: (i) completed all Buyer Investigations, and review of reports and other applicable information and disclosures; (ii) elected to proceed with the transaction; and (iii) assumed all liability, responsibility and expense for Repairs or corrections or for inability to obtain financing.

E. **CLOSE OF ESCROW:** Before Seller or Buyer may cancel this Agreement for failure of the other party to close escrow pursuant to this Agreement, Seller or Buyer must first give the other a demand to close escrow (C.A.R. Form DCE).

F. **EFFECT OF CANCELLATION ON DEPOSITS:** If Buyer or Seller gives written notice of cancellation pursuant to rights duly exercised under the terms of this Agreement, Buyer and Seller agree to Sign mutual instructions to cancel the sale and escrow and release deposits, if any, to the party entitled to the funds, less fees and costs incurred by that party. Fees and costs may be payable to service providers and vendors for services and products provided during escrow. Release of funds will require mutual Signed release instructions from Buyer and Seller, judicial decision or arbitration award. A Buyer or Seller may be subject to a civil penalty of up to \$1,000 for refusal to sign such instructions if no good faith dispute exists as to who is entitled to the deposited funds (Civil Code §1057.3).

15. **REPAIRS:** Repairs shall be completed prior to final verification of condition unless otherwise agreed in writing. Repairs to be performed at Seller's expense may be performed by Seller or through others, provided that the work complies with applicable Law, including governmental permit, inspection and approval requirements. Repairs shall be performed in a good, skillful manner with materials of quality and appearance comparable to existing materials. It is understood that exact restoration of appearance or cosmetic items following all Repairs may not be possible. Seller shall: (i) obtain receipts for Repairs performed by others; (ii) prepare a written statement indicating the Repairs performed by Seller and the date of such Repairs; and (iii) provide Copies of receipts and statements to Buyer prior to final verification of condition.

16. **FINAL VERIFICATION OF CONDITION:** Buyer shall have the right to make a final inspection of the Property within 5 (or _____) Days Prior to Close Of Escrow, NOT AS A CONTINGENCY OF THE SALE, but solely to confirm: (i) the Property is maintained pursuant to paragraph 9; (ii) Repairs have been completed as agreed; and (iii) Seller has complied with Seller's other obligations under this Agreement (C.A.R. Form VP).

17. **PRORATIONS OF PROPERTY TAXES AND OTHER ITEMS:** Unless otherwise agreed in writing, the following items shall be PAID CURRENT and prorated between Buyer and Seller as of Close Of Escrow: real property taxes and assessments, interest, rents, HOA regular, special, and emergency dues and assessments imposed prior to Close Of Escrow, premiums on insurance assumed by Buyer, payments on bonds and assessments assumed by Buyer, and payments on Mello-Roos and other Special Assessment District bonds and assessments that are a current lien. The following items shall be assumed by Buyer WITHOUT CREDIT toward the purchase price: prorated payments on Mello-Roos and other Special Assessment District bonds and assessments and HOA special assessments that are a current lien but not yet due. Property will be reassessed upon change of ownership. Any supplemental tax bills shall be paid as follows: (i) for periods after Close Of Escrow, by Buyer; and (ii) for periods prior to Close Of Escrow, by Seller (see C.A.R. Form SPT or SBSA for further information). TAX BILLS ISSUED AFTER CLOSE OF ESCROW SHALL BE HANDLED DIRECTLY BETWEEN BUYER AND SELLER. Prorations shall be made based on a 30-day month.

Buyer's Initials (LS) (RL)

Seller's Initials ([Signature]) (_____)



Property Address: MISSION VIEJO, CA 92691

Date: October 17, 2013

18. **SELECTION OF SERVICE PROVIDERS:** Brokers do not guarantee the performance of any vendors, service or product providers ("Providers"), whether referred by Broker or selected by Buyer, Seller or other person. Buyer and Seller may select ANY Providers of their own choosing.
19. **MULTIPLE LISTING SERVICE ("MLS"):** Brokers are authorized to report to the MLS a pending sale and, upon Close Of Escrow, the sales price and other terms of this transaction shall be provided to the MLS to be published and disseminated to persons and entities authorized to use the information on terms approved by the MLS.
20. **EQUAL HOUSING OPPORTUNITY:** The Property is sold in compliance with federal, state and local anti-discrimination Laws.
21. **ATTORNEY FEES:** In any action, proceeding, or arbitration between Buyer and Seller arising out of this Agreement, the prevailing Buyer or Seller shall be entitled to reasonable attorney fees and costs from the non-prevailing Buyer or Seller, except as provided in paragraph 26A.
22. **DEFINITIONS:** As used in this Agreement:
- A. "Acceptance" means the time the offer or final counter offer is accepted in writing by a party and is delivered to and personally received by the other party or that party's authorized agent in accordance with the terms of this offer or a final counter offer.
 - B. "C.A.R. Form" means the specific form referenced or another comparable form agreed to by the parties.
 - C. "Close Of Escrow" means the date the grant deed, or other evidence of transfer of title, is recorded.
 - D. "Copy" means copy by any means including photocopy, NCR, facsimile and electronic.
 - E. "Days" means calendar days. However, After Acceptance, the last Day for performance of any act required by this Agreement (including Close Of Escrow) shall not include any Saturday, Sunday, or legal holiday and shall instead be the next Day.
 - F. "Days After" means the specified number of calendar days after the occurrence of the event specified, not counting the calendar date on which the specified event occurs, and ending at 11:59PM on the final day.
 - G. "Days Prior" means the specified number of calendar days before the occurrence of the event specified, not counting the calendar date on which the specified event is scheduled to occur.
 - H. "Deliver", "Delivered" or "Delivery", regardless of the method used (i.e. messenger, mail, email, fax, other), means and shall be effective upon (i) personal receipt by Buyer or Seller or the individual Real Estate Licensee for that principal as specified in paragraph D of the section titled Real Estate Brokers on page 8; OR (ii) if checked, ☐ per the attached addendum (C.A.R. Form RDN).
 - I. "Electronic Copy" or "Electronic Signature" means, as applicable, an electronic copy or signature complying with California Law. Buyer and Seller agree that electronic means will not be used by either party to modify or alter the content or integrity of this Agreement without the knowledge and consent of the other party.
 - J. "Law" means any law, code, statute, ordinance, regulation, rule or order, which is adopted by a controlling city, county, state or federal legislative, judicial or executive body or agency.
 - K. "Repairs" means any repairs (including pest control), alterations, replacements, modifications or retrofitting of the Property provided for under this Agreement.
 - L. "Signed" means either a handwritten or electronic signature on an original document, Copy or any counterpart.
23. **BROKER COMPENSATION:** Seller or Buyer, or both, as applicable, agrees to pay compensation to Broker as specified in a separate written agreement between Broker and that Seller or Buyer. Compensation is payable upon Close Of Escrow, or if escrow does not close, as otherwise specified in the agreement between Broker and that Seller or Buyer.
24. **JOINT ESCROW INSTRUCTIONS TO ESCROW HOLDER:**
- A. The following paragraphs, or applicable portions thereof, of this Agreement constitute the joint escrow instructions of Buyer and Seller to Escrow Holder, which Escrow Holder is to use along with any related counter offers and addenda, and any additional mutual instructions to close the escrow: 1, 3, 4, 6C, 11B and D, 12, 13B, 14F, 17, 22, 23, 24, 28, 30, and paragraph D of the section titled Real Estate Brokers on page 8. If a Copy of the separate compensation agreement(s) provided for in paragraph 23, or paragraph D of the section titled Real Estate Brokers on page 8 is deposited with Escrow Holder by Broker, Escrow Holder shall accept such agreement(s) and pay out of Buyer's or Seller's funds, or both, as applicable, the respective Broker's compensation provided for in such agreement(s). The terms and conditions of this Agreement not specifically referenced above, in the specified paragraphs are additional matters for the information of Escrow Holder, but about which Escrow Holder need not be concerned. Buyer and Seller will receive Escrow Holder's general provisions directly from Escrow Holder and will execute such provisions upon Escrow Holder's request. To the extent the general provisions are inconsistent or conflict with this Agreement, the general provisions will control as to the duties and obligations of Escrow Holder only. Buyer and Seller will execute additional instructions, documents and forms provided by Escrow Holder that are reasonably necessary to close the escrow.
 - B. A Copy of this Agreement shall be delivered to Escrow Holder within 3 business days after Acceptance (or ☐ _____). Escrow Holder shall provide Seller's Statement of Information to Title company when received from Seller. Buyer and Seller authorize Escrow Holder to accept and rely on Copies and Signatures as defined in this Agreement as originals, to open escrow and for other purposes of escrow. The validity of this Agreement as between Buyer and Seller is not affected by whether or when Escrow Holder Signs this Agreement.
 - C. Brokers are a party to the escrow for the sole purpose of compensation pursuant to paragraphs 23 and paragraph D of the section titled Real Estate Brokers on page 8. Buyer and Seller irrevocably assign to Brokers compensation specified in paragraphs 23, respectively, and irrevocably instruct Escrow Holder to disburse those funds to Brokers at Close Of Escrow or pursuant to any other mutually executed cancellation agreement. Compensation instructions can be amended or revoked only with the written consent of Brokers. Buyer and Seller shall release and hold harmless Escrow Holder from any liability resulting from Escrow Holder's payment to Broker(s) of compensation pursuant to this Agreement. Escrow Holder shall immediately notify Brokers: (i) if Buyer's initial or any additional deposit is not made pursuant to this Agreement, or is not good at time of deposit with Escrow Holder; or (ii) if either Buyer or Seller instruct Escrow Holder to cancel escrow.
 - D. A Copy of any amendment that affects any paragraph of this Agreement for which Escrow Holder is responsible shall be delivered to Escrow Holder within 2 business days after mutual execution of the amendment.

Buyer's Initials (JS) (RS)Seller's Initials (JS) (RS)

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Reviewed by _____ Date _____



CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 6 OF 8)

Jose J Garcia and

25. LIQUIDATED DAMAGES: If Buyer fails to complete this purchase because of Buyer's default, Seller shall retain, as liquidated damages, the deposit actually paid. If the Property is a dwelling with no more than four units, one of which Buyer intends to occupy, then the amount retained shall be no more than 3% of the purchase price. Any excess shall be returned to Buyer. Release of funds will require mutual, Signed release instructions from both Buyer and Seller, judicial decision or arbitration award. AT TIME OF THE INCREASED DEPOSIT BUYER AND SELLER SHALL SIGN A SEPARATE LIQUIDATED DAMAGES PROVISION FOR ANY INCREASED DEPOSIT. (C.A.R. FORM RID).

Buyer's Initials JS / RS

Seller's Initials _____ / _____

26. DISPUTE RESOLUTION:

A. MEDIATION: Buyer and Seller agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction, before resorting to arbitration or court action. Buyer and Seller also agree to mediate any disputes or claims with Broker(s), who, in writing, agree to such mediation prior to, or within a reasonable time after, the dispute or claim is presented to the Broker. Mediation fees, if any, shall be divided equally among the parties involved. If, for any dispute or claim to which this paragraph applies, any party (i) commences an action without first attempting to resolve the matter through mediation, or (ii) before commencement of an action, refuses to mediate after a request has been made, then that party shall not be entitled to recover attorney fees, even if they would otherwise be available to that party in any such action. THIS MEDIATION PROVISION APPLIES WHETHER OR NOT THE ARBITRATION PROVISION IS INITIALED. Exclusions from this mediation agreement are specified in paragraph 26C.

B. ARBITRATION OF DISPUTES:

Buyer and Seller agree that any dispute or claim in Law or equity arising between them out of this Agreement or any resulting transaction, which is not settled through mediation, shall be decided by neutral, binding arbitration. Buyer and Seller also agree to arbitrate any disputes or claims with Broker(s), who, in writing, agree to such arbitration prior to, or within a reasonable time after, the dispute or claim is presented to the Broker. The arbitrator shall be a retired judge or justice, or an attorney with at least 5 years of residential real estate Law experience, unless the parties mutually agree to a different arbitrator. The parties shall have the right to discovery in accordance with Code of Civil Procedure §1283.05. In all other respects, the arbitration shall be conducted in accordance with Title 9 of Part 3 of the Code of Civil Procedure. Judgment upon the award of the arbitrator(s) may be entered into any court having jurisdiction. Enforcement of this agreement to arbitrate shall be governed by the Federal Arbitration Act. Exclusions from this arbitration agreement are specified in paragraph 26C.

"NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY."

"WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION."

Buyer's Initials JS / RS

Seller's Initials _____ / _____

C. ADDITIONAL MEDIATION AND ARBITRATION TERMS:

(1) **EXCLUSIONS:** The following matters shall be excluded from mediation and arbitration: (i) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage or installment land sale contract as defined in Civil Code §2985; (ii) an unlawful detainer action; (iii) the filing or enforcement of a mechanic's lien; and (iv) any matter that is within the jurisdiction of a probate, small claims or bankruptcy court. The filing of a court action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies, shall not constitute a waiver or violation of the mediation and arbitration provisions.

(2) **BROKERS:** Brokers shall not be obligated or compelled to mediate or arbitrate unless they agree to do so in writing. Any Broker(s) participating in mediation or arbitration shall not be deemed a party to the Agreement.

27. TERMS AND CONDITIONS OF OFFER:

This is an offer to purchase the Property on the above terms and conditions. The liquidated damages paragraph or the arbitration of disputes paragraph is incorporated in this Agreement if initialed by all parties or if incorporated by mutual agreement in a counter offer or addendum. If at least one but not all parties initial such paragraph(s), a counter offer is required until agreement is reached. Seller has the right to continue to offer the Property for sale and to accept any other offer at any time prior to notification of Acceptance. If this offer is accepted and Buyer subsequently defaults, Buyer may be responsible for payment of Brokers' compensation. This Agreement and any supplement, addendum or modification, including any Copy, may be Signed in two or more counterparts, all of which shall constitute one and the same writing.

28. TIME OF ESSENCE; ENTIRE CONTRACT; CHANGES: Time is of the essence. All understandings between the parties are incorporated in this Agreement. Its terms are intended by the parties as a final, complete and exclusive expression of their Agreement with respect to its subject matter, and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. If any provision of this Agreement is held to be ineffective or invalid, the remaining provisions will nevertheless be given full force and effect. Except as otherwise specified, this Agreement shall be interpreted and disputes shall be resolved in accordance with the laws of the State of California. Neither this Agreement nor any provision in it may be extended, amended, modified, altered or changed, except in writing Signed by Buyer and Seller.

Buyer's Initials JS / RSSeller's Initials (JS) (RS)

Property Address: MISSION VIEJO, CA 92691Date: October 17, 2013

29. EXPIRATION OF OFFER: This offer shall be deemed revoked and the deposit shall be returned unless the offer is Signed by Seller and a Copy of the Signed offer is personally received by Buyer, or by _____, who is authorized to receive it, by 5:00 PM on the third Day after this offer is signed by Buyer (or, if checked, ☐ AM ☐ PM, on _____ (date)).

Buyer has read and acknowledges receipt of a Copy of the offer and agrees to the above confirmation of agency relationships.

Date 10-17-13
 BUYER Jose J Garcia
JOSE J GARCIA
 (Print name)

Date 10/17/13
 BUYER Rosa E. Garcia
ROSA E GARCIA
 (Print name)

(Address)

☐ Additional Signature Addendum attached (C.A.R. Form ASA).

30. ACCEPTANCE OF OFFER: Seller warrants that Seller is the owner of the Property, or has the authority to execute this Agreement. Seller accepts the above offer, agrees to sell the Property on the above terms and conditions, and agrees to the above confirmation of agency relationships. Seller has read and acknowledges receipt of a Copy of this Agreement, and authorizes Broker to Deliver a Signed Copy to Buyer.

☒ (If checked) SUBJECT TO ATTACHED COUNTER OFFER (C.A.R. Form CO) DATED: _____

Date 10/24/13
 SELLER [Signature]
 (Print name)

Date _____
 SELLER _____
 (Print name)

(Address)

☐ Additional Signature Addendum attached (C.A.R. Form ASA).

(_____/_____) CONFIRMATION OF ACCEPTANCE: A Copy of Signed Acceptance was personally received by Buyer or Buyer's authorized agent on (date) _____ at _____ ☐ AM ☐ PM. A binding Agreement is created when a Copy of Signed Acceptance is personally received by Buyer or Buyer's authorized agent whether or not confirmed in this document. Completion of this confirmation is not legally required in order to create a binding Agreement. It is solely intended to evidence the date that Confirmation of Acceptance has occurred.

REAL ESTATE BROKERS:

- A. Real Estate Brokers are not parties to the Agreement between Buyer and Seller.
 B. Agency relationships are confirmed as stated in paragraph 2.
 C. If specified in paragraph 3A(2), Agent who submitted the offer for Buyer acknowledges receipt of deposit.
 D. COOPERATING BROKER COMPENSATION: Listing Broker agrees to pay Cooperating Broker (Selling Firm) and Cooperating Broker agrees to accept, out of Listing Broker's proceeds in escrow: (I) the amount specified in the MLS, provided Cooperating Broker is a Participant of the MLS in which the Property is offered for sale or a reciprocal MLS; or (II) ☐ (if checked) the amount specified in a separate written agreement (C.A.R. Form CBC) between Listing Broker and Cooperating Broker. Declaration of License and Tax (C.A.R. Form DLT) may be used to document that tax reporting will be required or that an exemption exists.

Real Estate Broker (Selling Firm) FIRST TEAM REAL ESTATE DRE Lic. # 01008773
 By [Signature] SOFA M DELGADO DRE Lic. # 01401361 Date 10/17/13
 Address 27451 LOS ANITOS #100 City MISSION VIEJO State CA Zip 92691
 Telephone (949) 246-1784 Fax (949) 582-3687 E-mail SOFIAMDVB@HOTMAIL.COM

Real Estate Broker (Listing Firm) CAPSTONE REAL ESTATE GROUP DRE Lic. # 01008773
 By [Signature] JOSEPH GALOSTIC DRE Lic. # 01461710 Date _____
 Address _____ City _____ State _____ Zip _____
 Telephone _____ Fax _____ E-mail _____

ESCROW HOLDER ACKNOWLEDGMENT:

Escrow Holder acknowledges receipt of a Copy of this Agreement, (if checked, ☐ a deposit in the amount of \$ _____), counter offer numbered _____, ☐ Seller's Statement of Information and ☐ Other _____, and agrees to act as Escrow Holder subject to paragraph 24 of this Agreement, any supplemental escrow instructions and the terms of Escrow Holder's general provisions if any.

Escrow Holder is advised that the date of Confirmation of Acceptance of the Agreement as between Buyer and Seller is _____.

Escrow Holder _____ Escrow # _____
 By _____ Date _____
 Address _____
 Phone/Fax/E-mail _____

Escrow Holder is licensed by the California Department of ☐ Corporations, ☐ Insurance, ☐ Real Estate. License # _____

PRESENTATION OF OFFER: (_____) Listing Broker presented this offer to Seller on _____ (date).
 Broker or Designee Initials _____

REJECTION OF OFFER: (_____) (_____) No counter offer is being made. This offer was rejected by Seller on _____ (date).
 Seller's Initials _____

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Reviewed by _____

Broker or Designee _____

Date _____



EXHIBIT 12

REVISION DATE 4/10

CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 8 OF 8)

Jose J Garcia and



CALIFORNIA
ASSOCIATION
OF REALTORS®

BUYER'S INSPECTION ADVISORY

(C.A.R. Form BIA-A, Revised 10/02)

Property Address: 22202 ABRAZO, MISSION VIEJO, CA 92691

("Property").

A. IMPORTANCE OF PROPERTY INVESTIGATION: The physical condition of the land and improvements being purchased is not guaranteed by either Seller or Brokers. For this reason, you should conduct thorough investigations of the Property personally and with professionals who should provide written reports of their investigations. A general physical inspection typically does not cover all aspects of the Property nor items affecting the Property that are not physically located on the Property. If the professionals recommend further investigations, including a recommendation by a pest control operator to inspect inaccessible areas of the Property, you should contact qualified experts to conduct such additional investigations.

B. BUYER RIGHTS AND DUTIES: You have an affirmative duty to exercise reasonable care to protect yourself, including discovery of the legal, practical and technical implications of disclosed facts, and the investigation and verification of information and facts that you know or that are within your diligent attention and observation. The purchase agreement gives you the right to investigate the Property. If you exercise this right, and you should, you must do so in accordance with the terms of that agreement. This is the best way for you to protect yourself. It is extremely important for you to read all written reports provided by professionals and to discuss the results of inspections with the professional who conducted the inspection. You have the right to request that Seller make repairs, corrections or take other action based upon items discovered in your investigations or disclosed by Seller. If Seller is unwilling or unable to satisfy your requests, or you do not want to purchase the Property in its disclosed and discovered condition, you have the right to cancel the agreement if you act within specific time periods. If you do not cancel the agreement in a timely and proper manner, you may be in breach of contract.

C. SELLER RIGHTS AND DUTIES: Seller is required to disclose to you material facts known to him/her that affect the value or desirability of the Property. However, Seller may not be aware of some Property defects or conditions. Seller does not have an obligation to inspect the Property for your benefit nor is Seller obligated to repair, correct or otherwise cure known defects that are disclosed to you or previously unknown defects that are discovered by you or your inspectors during escrow. The purchase agreement obligates Seller to make the Property available to you for investigations.

D. BROKER OBLIGATIONS: Brokers do not have expertise in all areas and therefore cannot advise you on many items, such as soil stability, geologic or environmental conditions, hazardous or illegal controlled substances, structural conditions of the foundation or other improvements, or the condition of the roof, plumbing, heating, air conditioning, electrical, sewer, septic, waste disposal, or other system. The only way to accurately determine the condition of the Property is through an inspection by an appropriate professional selected by you. If Broker gives you referrals to such professionals, Broker does not guarantee their performance. You may select any professional of your choosing. In sales involving residential dwellings with no more than four units, Brokers have a duty to make a diligent visual inspection of the accessible areas of the Property and to disclose the results of that inspection. However, as some Property defects or conditions may not be discoverable from a visual inspection, it is possible Brokers are not aware of them. If you have entered into a written agreement with a Broker, the specific terms of that agreement will determine the nature and extent of that Broker's duty to you. **YOU ARE STRONGLY ADVISED TO INVESTIGATE THE CONDITION AND SUITABILITY OF ALL ASPECTS OF THE PROPERTY. IF YOU DO NOT DO SO, YOU ARE ACTING AGAINST THE ADVICE OF BROKERS.**

E. YOU ARE ADVISED TO CONDUCT INVESTIGATIONS OF THE ENTIRE PROPERTY, INCLUDING, BUT NOT LIMITED TO THE FOLLOWING:

- 1. GENERAL CONDITION OF THE PROPERTY, ITS SYSTEMS AND COMPONENTS:** Foundation, roof, plumbing, heating, air conditioning, electrical, mechanical, security, pool/spa, other structural and non-structural systems and components, fixtures, built-in appliances, any personal property included in the sale, and energy efficiency of the Property. (Structural engineers are best suited to determine possible design or construction defects, and whether improvements are structurally sound.)
- 2. SQUARE FOOTAGE, AGE, BOUNDARIES:** Square footage, room dimensions, lot size, age of improvements and boundaries. Any numerical statements regarding these items are APPROXIMATIONS ONLY and have not been verified by Seller and cannot be verified by Brokers. Fences, hedges, walls, retaining walls and other natural or constructed barriers or markers do not necessarily identify true Property boundaries. (Professionals such as appraisers, architects, surveyors and civil engineers are best suited to determine square footage, dimensions and boundaries of the Property.)
- 3. WOOD DESTROYING PESTS:** Presence of, or conditions likely to lead to the presence of wood destroying pests and organisms and other infestation or infection. Inspection reports covering these items can be separated into two sections: Section 1 identifies areas where infestation or infection is evident. Section 2 identifies areas where there are conditions likely to lead to infestation or infection. A registered structural pest control company is best suited to perform these inspections.
- 4. SOIL STABILITY:** Existence of fill or compacted soil, expansive or contracting soil, susceptibility to slippage, settling or movement, and the adequacy of drainage. (Geotechnical engineers are best suited to determine such conditions, causes and remedies.)

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BIA-A REVISED 10/02 (PAGE 1 OF 2)

Buyer's Initials LS (RL)

Seller's Initials (LS) (RL)

Reviewed by _____ Date _____



BUYER'S INSPECTION ADVISORY (BIA-A PAGE 1 OF 2)

Agent: Sofia M Delgado

Phone: 949-246-1774

Fax: 949-237-3481

Prepared using zipForm® software

Broker: First Team Real Estate 27451 Los Altos #100 Mission Viejo, CA 92691

5. **ROOF:** Present condition, age, leaks, and remaining useful life. (Roofing contractors are best suited to determine these conditions.)
6. **POOL/SPA:** Cracks, leaks or operational problems. (Pool contractors are best suited to determine these conditions.)
7. **WASTE DISPOSAL:** Type, size, adequacy, capacity and condition of sewer and septic systems and components, connection to sewer, and applicable fees.
8. **WATER AND UTILITIES; WELL SYSTEMS AND COMPONENTS:** Water and utility availability, use restrictions and costs. Water quality, adequacy, condition, and performance of well systems and components.
9. **ENVIRONMENTAL HAZARDS:** Potential environmental hazards, including, but not limited to, asbestos, lead-based paint and other lead contamination, radon, methane, other gases, fuel oil or chemical storage tanks, contaminated soil or water, hazardous waste, waste disposal sites, electromagnetic fields, nuclear sources, and other substances, materials, products, or conditions (including mold (airborne, toxic or otherwise), fungus or similar contaminants). (For more information on these items, you may consult an appropriate professional or read the booklets "Environmental Hazards: A Guide for Homeowners, Buyers, Landlords and Tenants," "Protect Your Family From Lead in Your Home" or both.)
10. **EARTHQUAKES AND FLOODING:** Susceptibility of the Property to earthquake/seismic hazards and propensity of the Property to flood. (A Geologist or Geotechnical Engineer is best suited to provide information on these conditions.)
11. **FIRE, HAZARD AND OTHER INSURANCE:** The availability and cost of necessary or desired insurance may vary. The location of the Property in a seismic, flood or fire hazard zone, and other conditions, such as the age of the Property and the claims history of the Property and Buyer, may affect the availability and need for certain types of insurance. Buyer should explore insurance options early as this information may affect other decisions, including the removal of loan and inspection contingencies. (An insurance agent is best suited to provide information on these conditions.)
12. **BUILDING PERMITS, ZONING AND GOVERNMENTAL REQUIREMENTS:** Permits, inspections, certificates, zoning, other governmental limitations, restrictions, and requirements affecting the current or future use of the Property, its development or size. (Such information is available from appropriate governmental agencies and private information providers. Brokers are not qualified to review or interpret any such information.)
13. **RENTAL PROPERTY RESTRICTIONS:** Some cities and counties impose restrictions that limit the amount of rent that can be charged, the maximum number of occupants; and the right of a landlord to terminate a tenancy. Deadbolt or other locks and security systems for doors and windows, including window bars, should be examined to determine whether they satisfy legal requirements. (Government agencies can provide information about these restrictions and other requirements.)
14. **SECURITY AND SAFETY:** State and local Law may require the installation of barriers, access alarms, self-latching mechanisms and/or other measures to decrease the risk to children and other persons of existing swimming pools and hot tubs, as well as various fire safety and other measures concerning other features of the Property. Compliance requirements differ from city to city and county to county. Unless specifically agreed, the Property may not be in compliance with these requirements. (Local government agencies can provide information about these restrictions and other requirements.)
15. **NEIGHBORHOOD, AREA, SUBDIVISION CONDITIONS; PERSONAL FACTORS:** Neighborhood or area conditions, including schools, proximity and adequacy of law enforcement, crime statistics, the proximity of registered felons or offenders, fire protection, other government services, availability, adequacy and cost of any speed-wired, wireless internet connections or other telecommunications or other technology services and installations, proximity to commercial, industrial or agricultural activities, existing and proposed transportation, construction and development that may affect noise, view, or traffic, airport noise, noise or odor from any source, wild and domestic animals, other nuisances, hazards, or circumstances, protected species, wetland properties, botanical diseases, historic or other governmentally protected sites or improvements, cemeteries, facilities and condition of common areas of common interest subdivisions, and possible lack of compliance with any governing documents or Homeowners' Association requirements, conditions and influences of significance to certain cultures and/or religions, and personal needs, requirements and preferences of Buyer.

Buyer and Seller acknowledge and agree that Broker: (i) Does not decide what price Buyer should pay or Seller should accept; (ii) Does not guarantee the condition of the Property; (iii) Does not guarantee the performance, adequacy or completeness of inspections, services, products or repairs provided or made by Seller or others; (iv) Does not have an obligation to conduct an inspection of common areas or areas off the site of the Property; (v) Shall not be responsible for identifying defects on the Property, in common areas, or offsite unless such defects are visually observable by an inspection of reasonably accessible areas of the Property or are known to Broker; (vi) Shall not be responsible for inspecting public records or permits concerning the title or use of Property; (vii) Shall not be responsible for identifying the location of boundary lines or other items affecting title; (viii) Shall not be responsible for verifying square footage, representations of others or information contained in Investigation reports, Multiple Listing Service, advertisements, flyers or other promotional material; (ix) Shall not be responsible for providing legal or tax advice regarding any aspect of a transaction entered into by Buyer or Seller; and (x) Shall not be responsible for providing other advice or information that exceeds the knowledge, education and experience required to perform real estate licensed activity. Buyer and Seller agree to seek legal, tax, insurance, title and other desired assistance from appropriate professionals.

By signing below, Buyer and Seller each acknowledge that they have read, understand, accept and have received a Copy of this Advisory. Buyer is encouraged to read it carefully.

Jose J Garcia 10-17-13
Buyer Signature Date
JOSE J GARCIA

Rosa E. Garcia 10/17/13
Buyer Signature Date
ROSA E GARCIA

[Signature] 10/24/13
Seller Signature Date

[Signature] _____
Seller Signature Date

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Reviewed by _____ Date _____



ASSOCIATION
OF REALTORS®

COUNTER OFFER No. 5 of 6 (1)

For use by Seller or Buyer. May be used for Multiple Counter Offer.
(C.A.R. Form CO, Revised 11/10)Date October 22, 2013

This is a counter offer to the: ☒ California Residential Purchase Agreement, ☐ Counter Offer No., or ☐ Other ("Offer"),
dated October 17, 2013, on property known as 22202 Abrazo, Mission Viejo, CA ("Property"),
between Jose J. Garcia, Rosa E. Garcia ("Buyer") and
John M. Wolfe, Ch. 7 Trustee ("Seller").

1. **TERMS:** The terms and conditions of the above referenced document are accepted subject to the following:
- A. Paragraphs in the Offer that require initials by all parties, but are not initialed by all parties, are excluded from the final agreement unless specifically referenced for inclusion in paragraph 1C of this or another Counter Offer.
- B. Unless otherwise agreed in writing, down payment and loan amount(s) will be adjusted in the same proportion as in the original Offer.
- C. **OTHER TERMS:** See attached Addendum No. One (1), Purchase Agreement Addendum No. One (1), and Addendum to Purchase Agreement, which are all incorporated herein by this reference as though set forth in full. The time by which Seller has to accept or counter the terms of the Buyer's Offer for Purchase set forth in the RPA Revised 4/13 is deemed to be extended to the date of this Counter-Offer One (1);

- D. The following attached addenda are incorporated into this Counter Offer: ☒ Addendum No. One (1)
☒ Purchase Agreement Addendum No. 1 ☒ Addendum to Purchase Agreement

2. **RIGHT TO ACCEPT OTHER OFFERS:** If this is a Seller Counter Offer, (i) Seller has the right to continue to offer the Property for sale or for another transaction, and to accept any other offer at any time prior to Acceptance, as described in paragraph 3 and (ii) Seller's acceptance of another offer prior to Buyer's Acceptance of this Counter Offer, shall revoke this Counter Offer.
3. **EXPIRATION:** This Counter Offer shall be deemed revoked and the deposits, if any, shall be returned unless this Counter Offer is signed by the Buyer or Seller to whom it is sent and a Copy of the signed Counter Offer is personally received by the person making this Counter Offer or by _____, who is authorized to receive it, by 5:00 PM on the third Day After the later date specified in paragraph 5 or, (if checked) by ☐ _____ (date), at ☐ AM ☐ PM. This Counter Offer may be executed in counterparts.

4. ☐ (If checked:) **MULTIPLE COUNTER OFFER:** Seller is making a Counter Offer(s) to another prospective buyer(s) on terms that may or may not be the same as in this Counter Offer. Acceptance of this Counter Offer by Buyer shall not be binding unless and until it is subsequently re-Signed by Seller in paragraph 7 below and a Copy of the Counter Offer Signed in paragraph 7 is personally received by Buyer or by _____, who is authorized to receive it, by 5:00 PM on the third Day After the later date specified in paragraph 5 or, (if checked) by ☐ _____ (date), at ☐ AM ☐ PM. Prior to the completion of all of these events, Buyer and Seller shall have no duties or obligations for the purchase or sale of the Property. **NOTE TO SELLER:** Sign and date in paragraph 5 to make this Counter Offer.

5. **OFFER:** ☐ BUYER OR ☒ SELLER MAKES THIS COUNTER OFFER ON THE TERMS ABOVE AND ACKNOWLEDGES RECEIPT OF A COPY.

John M. Wolfe, Ch. 7 Trustee Date 05/20/2013
Date _____

6. **ACCEPTANCE:** I/WE accept the above Counter Offer (If checked ☐ **SUBJECT TO THE ATTACHED COUNTER OFFER**) and acknowledge receipt of a Copy.
Rosa E. Garcia Date 10/30/13 Time 5:50 ☐ AM ☒ PM
Rosa E. Garcia Date 10/30/13 Time 5:50 ☐ AM ☒ PM

7. **MULTIPLE COUNTER OFFER SIGNATURE LINE:** By signing below, Seller accepts this Multiple Counter Offer.
NOTE TO SELLER: Do NOT sign in this box until after Buyer signs in paragraph 6. (Paragraph 7 applies only if paragraph 4 is checked.)

Date _____ Time _____ ☐ AM ☐ PM

Date _____ Time _____ ☐ AM ☐ PM

8. (_____/_____) (Initials) **Confirmation of Acceptance:** A Copy of Signed Acceptance was personally received by the maker of the Counter Offer, or that person's authorized agent as specified in paragraph 3 (or, if this is a Multiple Counter Offer, the Buyer or Buyer's authorized agent as specified in paragraph 4) on (date) _____ at _____ ☐ AM ☐ PM. A binding Agreement is created when a Copy of Signed Acceptance is personally received by the the maker of the Counter Offer, or that person's authorized agent (or, if this is a Multiple Counter Offer, the Buyer or Buyer's authorized agent) whether or not confirmed in this document. Completion of this confirmation is not legally required in order to create a binding Agreement; it is solely intended to evidence the date that Acceptance has occurred.

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CO REVISED 11/10 (PAGE 1 OF 1)

COUNTER OFFER (CO PAGE 1 OF 1)

Agent: Joseph Galosic Phone: 949.586.4200 Fax: 949.580.0903 Prepared using zipForm® software
Broker: Joseph M. Galosic, Broker 8105 Irvine Center Drive, Suite 100, Irvine, CA 92618

EXHIBIT 2



CALIFORNIA
ASSOCIATION
OF REALTORS®

ADDENDUM

(C.A.R. Form ADM, Revised 4/12)

No. One (1)

The following terms and conditions are hereby incorporated in and made a part of the: ☒ Residential Purchase Agreement,
☐ Manufactured Home Purchase Agreement, ☐ Business Purchase Agreement, ☐ Residential Lease or Month-to-Month Rental
Agreement, ☐ Vacant Land Purchase Agreement, ☐ Residential Income Property Purchase Agreement, ☐ Commercial Property
Purchase Agreement, ☐ Other _____

dated October 17, 2013, on property known as 22202 Abrazo, Mission Viejo, CA

in which Jose J. Garcia, Rosa E. Garcia is referred to as ("Buyer/Tenant")
and John M. Wolfe, Ch. 7 Trustee is referred to as ("Seller/Landlord").

1. Para 1.C. - Purchase price to be Seven Hundred Fifty Thousand dollars (\$750,000) 2,
2. Para 3.A. - Initial deposit to be three percent (3%) of purchase price (\$22,500) -
other Finance Terms to be adjusted accordingly;
3. Para 4.A. - Buyer shall pay for ALL Inspections and Reports if Buyer so desires,
including but not limited to inspection and report for wood destroying pests and organisms
(4.A.(1)), and natural hazard zone disclosure reports (4.A.(4)), and Professional Property
Inspection report (4.A.(6)). Buyer to pay for ANY/ALL recommended and/or desired
remediation or repair set forth in such report(s), including those designated in "Section
1" and/or "Section 2" conditions of a Wood Pest Report;
4. Para 4.B. - Buyer to pay for all costs of compliance for all Government Requirements
and Retrofits identified in Para. 4.B.(1) and (2);
5. Para 4.C. - Escrow and title shall be seller's choice;
6. Para 4.D. - Buyer to pay for all ALL other costs, including those in Para. 4.D.(1),
(2), and (5), and Buyer to pay the cost for a Home Warranty Plan (Para.4.D.(5)) if Buyer so
desires;
7. Para. 5.D and E. - Deleted.
8. Para. 6. Seller is a Chapter 7 Bankruptcy Trustee and shall provide only those
disclosures as required by law;
9. Para. 7. - deleted;
10. Para. 11. - Seller is a Chapter 7 Bankruptcy Trustee and shall provide only those
disclosures as required by law;
11. Para. 15. - Seller is a Chapter 7 Bankruptcy Trustee, and Seller shall not be required
to make any repairs, except as required by law at Buyer's expense;
12. Para. 21 (Attorney Fees) - deleted;
13. Para. 26 - deleted. see attached;

Continued on Page 2 of 2

The foregoing terms and conditions are hereby agreed to, and the undersigned acknowledge receipt of a copy of this document.

Date 10/30/13

Date October 22, 2013

Buyer/Tenant Jose J. Garcia
Jose J. Garcia

Seller/Landlord John M. Wolfe
John M. Wolfe Ch. 7 Trustee

Buyer/Tenant Rosa E. Garcia
Rosa E. Garcia

Seller/Landlord _____

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Reviewed by _____ Date _____



ADDENDUM (ADM PAGE 1 OF 1)

Agent: Joseph Galosic Phone: 949.586.4200 Fax: 949.580.0903 Prepared using zipForm® software
Broker: Joseph M. Galosic, Broker 8105 Irvine Center Drive, Suite 600, Irvine, CA 92618

EXHIBIT 2



CALIFORNIA
ASSOCIATION
OF REALTORS®

ADDENDUM

(C.A.R. Form ADM, Revised 4/12)

No. One (1)

The following terms and conditions are hereby incorporated in and made a part of the: ☒ Residential Purchase Agreement,
☐ Manufactured Home Purchase Agreement, ☐ Business Purchase Agreement, ☐ Residential Lease or Month-to-Month Rental
Agreement, ☐ Vacant Land Purchase Agreement, ☐ Residential Income Property Purchase Agreement, ☐ Commercial Property
Purchase Agreement, ☒ Other Counter Offer No. One (1) to the Residential Purchase Agreement and
Joint Escrow Instructions - Addendum page 2 of 2

dated October 17, 2013, on property known as 22202 Abrazo, Mission Viejo, CA

in which Jose J. Garcia, Rosa E. Garcia is referred to as ("Buyer/Tenant")
and John M. Wolfe, Ch. 7 Trustee is referred to as ("Seller/Landlord").

14. If Buyer chooses to conduct any inspection of the property, Buyer shall pay for ALL
Inspections and Reports Buyer desires. The Agreement is subject to the Seller's
contingencies set forth herein, in the Addendum to Purchase Agreement and in the Purchase
Agreement Addendum, and is subject to Court Approval and overbid;

15. After Buyer contingencies are deemed to be fully removed, satisfied, cleared and/or
waived, Seller shall proceed with a Motion for Court Approval;

16. Balance of purchase price is due and escrow shall close within ten (10) days after
entry of the Court Order approving the sale of the Property;

17. Broker compensation/commission and amount is subject to Court Approval;

The foregoing terms and conditions are hereby agreed to, and the undersigned acknowledge receipt of a copy of this document.

Date 10/30/13

Date 10/24/13

Buyer/Tenant Jose J. Garcia
Jose J. Garcia

Seller/Landlord John M. Wolfe, Ch. 7 Trustee
John M. Wolfe, Ch. 7 Trustee

Buyer/Tenant Rosa E. Garcia
Rosa E. Garcia

Seller/Landlord _____

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ADM REVISED 4/12 (PAGE 1 OF 1)

Reviewed by _____ Date _____



ADDENDUM (ADM PAGE 1 OF 1)

Agent: Joseph Galosic

Phone: 949.586.4200

Fax: 949.580.0903

Prepared using zipForm® software

Broker: Joseph M. Galosic, Broker 8105 Irvine Center Drive, Suite 600, Irvine, CA 92618

EXHIBIT 2

CALIFORNIA
ASSOCIATION
OF REALTORS®**PURCHASE AGREEMENT ADDENDUM No. One (1)**

(May Also Be Used With Counter Offer)

(C.A.R. Form PAA, Revised 4/11)

This is an addendum to the ☐ California Residential Purchase Agreement, ☒ Counter Offer No. One (1), ☐ Other _____, ("Agreement"), dated October 17, 2013, onproperty known as 22202 Abrazo, Mission Viejo, CA, Mission Viejo, ("Property"),
between Jose J. Garcia, Rosa E. Garcia ("Buyer"),
and John M. Wolfe, Ch. 7 Trustee ("Seller").

(The definitions in the California Residential Purchase Agreement are applicable to this Purchase Agreement Addendum.)

1. ☐ **CANCELLATION OF PRIOR SALE; BACK-UP OFFER** (If checked): This Agreement is in back-up position number _____, and is contingent upon written cancellation of any prior contracts and related escrows ("Prior Contracts") between Seller and other buyers. Seller and other buyers may mutually agree to modify or amend the terms of Prior Contracts. Buyer may cancel this Agreement in writing at any time before Seller provides Buyer Copies of written cancellations of Prior Contracts Signed by all parties to those contracts. If Seller is unable to provide such written Signed cancellations to Buyer by _____ (date), then either Buyer or Seller may cancel the Agreement in writing.
 - A. **BUYER'S DEPOSIT CHECK** shall be: (I) held uncashed until Copies of the written cancellations Signed by all parties to the Prior Contracts are provided to Buyer; OR (II) (if checked) ☐ immediately handled as provided in the Agreement.
 - B. **TIME PERIODS** in the Agreement for investigations, contingencies, covenants and other obligations (I) shall begin on the Day After Seller provides Buyer Copies of Signed cancellations of Prior Contracts; OR (II) (if checked) ☐ all time periods shall begin as provided in this Agreement. However, if the date for Close Of Escrow is a specific calendar date, that date shall NOT be extended, unless agreed to in writing by Buyer and Seller.
2. ☐ **SELLER TO REMAIN IN POSSESSION AFTER CLOSE OF ESCROW** (If checked): This provision is intended for short-term occupancy (i.e. less than 30 Days). If occupancy is intended to be for 30 Days or longer, use Residential Lease After Sale (C.A.R. Form RLAS). **Note: Local rent control or other Law regarding tenant's rights may impact Buyer's and Seller's rights and obligations.**
 - A. **TERM:** Seller to remain in possession of Property for _____ Days After Close Of Escrow (or ☐ _____). Seller has no right to remain in possession beyond this term and may be responsible for court awarded damages if Seller does remain.
 - B. **COMPENSATION:** Seller agrees to pay Buyer (i) for the term specified in 2A, \$ _____ per Day (or ☐ _____), and (ii) a security deposit in the amount of \$ _____. Seller shall deposit such funds with escrow holder prior to Close Of Escrow or such funds shall be withheld from Seller's proceeds. At Close Of Escrow, compensation and security deposit will be released to Buyer (or ☐ held in escrow).
 - C. **LATE CHARGE/NSF CHECKS:** If any payment from Seller to Buyer is required outside of escrow, and any such payment is not received by Buyer within 5 (or ☐ _____) Days After date due, Seller shall pay to Buyer an additional sum of \$ _____ as a Late Charge. If a check is returned for non-sufficient funds ("NSF"), Seller shall pay to Buyer \$25.00 as an NSF charge. Seller and Buyer agree that these charges represent a fair and reasonable estimate of the costs Buyer may incur by reason of Seller's late or NSF payment. Buyer's acceptance of any Late Charge or NSF fee shall not constitute a waiver as to any default by Seller.
 - D. **UTILITIES:** Seller agrees to pay for all utilities and services, and the following charges: _____ except _____, which shall be paid for by Buyer.
 - E. **ENTRY:** Seller shall make Property available to Buyer for the purpose of entering to make necessary or agreed repairs, or to supply necessary or agreed services, or to show Property to prospective or actual purchasers, tenants, mortgagees, lenders, appraisers or contractors. Buyer and Seller agree that 24 hours notice (oral or written) shall be reasonable and sufficient notice. In an emergency, Buyer may enter Property at any time without prior notice.
 - F. **MAINTENANCE:** Seller shall maintain the Property, including pool, spa, landscaping and grounds, and all personal property included in the sale in substantially the same condition as on the date of Acceptance of the Agreement. Except as provided in the Agreement, Seller shall not make alterations to the Property without Buyer's written consent.
 - G. **ASSIGNMENT; SUBLETTING:** Seller shall not assign or sublet all or any part of the Property, or assign or transfer the right to occupy the Property. Any assignment, subletting or transfer of the Property by voluntary act of Seller, by operation of Law or otherwise, without Buyer's prior written consent shall give Buyer the right to terminate Seller's right to possession.
 - H. **SELLER'S OBLIGATIONS UPON DELIVERY OF POSSESSION:** Upon delivery of possession to Buyer, Seller shall deliver the Property in the condition and on the terms provided in the Agreement.
 - I. **INSURANCE:** Seller's personal property (including vehicles) is not insured by Buyer, and, if applicable, owner's association, against loss or damage due to fire, theft, vandalism, rain, water, criminal or negligent acts of others, or any other cause. Seller is to carry Seller's own insurance to protect Seller from such loss.
 - J. **WAIVER:** The waiver of any breach shall not be construed as a continuing waiver of the same or any subsequent breach.
 - K. **OTHER TERMS AND CONDITIONS/SUPPLEMENTS:** _____

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PAA REVISED 4/11 (PAGE 1 OF 2)

Buyer's Initials (JJG) (REL)

Seller's Initials (_____) (_____)

Reviewed by _____ Date _____

**PURCHASE AGREEMENT ADDENDUM (PAA PAGE 1 OF 2)**

Agent: Joseph Galosic

Phone: 949.586.4200

Fax: 949.580.0903

Prepared using WINForms® software

Broker: Joseph M. Galosic, Broker 8105 Irvine Center Drive, Suite 100, Irvine, CA 92618

EXHIBIT 12

3. ☐ **TENANT TO REMAIN IN POSSESSION** (If checked): Buyer shall take Property subject to the rights of existing tenants. Seller shall, within 7 (or ☐ _____) Days After Acceptance, deliver to Buyer Copies of all: estoppel certificates sent to and received back from tenants; leases; rental agreements; and current income and expense statements ("Rental Documents"). Seller shall give Buyer written notice of any changes to existing leases or tenancies or new agreements to lease or rent ("Proposed Changes") at least 7 (or ☐ _____) Days prior to any Proposed Changes. Buyer's approval of the Rental Documents and Proposed Changes is a contingency of the Agreement. Buyer shall, within 5 (or ☐ _____) Days After receipt of Rental Documents or Proposed Changes remove the applicable contingency or cancel the Agreement. Seller shall transfer to Buyer, through escrow, all unused tenant deposits. No warranty is made concerning compliance with governmental restrictions, if any, limiting the amount of rent that can lawfully be charged, and/or the maximum number of persons who can lawfully occupy the Property, unless otherwise agreed in writing.
4. ☐ **SECONDARY OR ASSUMED LOAN** (If checked): Obtaining the secondary loan or assumption below, and Buyer's approval of such assumed financing, is a contingency of this Agreement. Buyer shall act diligently and in good faith to obtain the designated financing.
- A. ☐ **SECONDARY LOAN:**
- (1) The loan shall be conventional financing or, if checked, ☐ SELLER FINANCING, ☐ OTHER. The loan shall be at a fixed rate not to exceed _____%, or ☐ an adjustable rate loan with an initial rate not to exceed _____%. Regardless of the type of loan, Buyer shall pay points not to exceed _____% of the loan amount.
- (2) (i) Within 17 (or ☐ _____) Days After Acceptance, Buyer shall, as specified in the Agreement, remove this contingency or cancel this Agreement.
- OR (ii) (If checked) ☐ secondary loan contingency shall remain in effect until the loan is funded.
- B. ☐ **ASSUMPTION OF EXISTING LOAN:**
- (1) Buyer will assume an existing note and deed of trust. Seller shall, within 5 (or _____) Days After Acceptance, request from Lender, and upon receipt provide to Buyer, Copies of all applicable notes and deeds of trust, loan balances and current interest rates. Differences between estimated and actual loan balances shall be adjusted at Close Of Escrow by cash down payment. Impound accounts, if any, shall be assigned and charged to Buyer and credited to Seller. If this is an assumption of a VA Loan, the sale is contingent upon Seller being provided a release of liability and substitution of eligibility, unless otherwise agreed in writing.
- (2) (i) Within 17 (or ☐ _____) Days After Acceptance, Buyer shall, as specified in the Agreement, remove this contingency or cancel this Agreement. However, if the assumed loan documents are not provided to Buyer within 7 Days After Acceptance, Buyer has 5 (or ☐ _____) Days After receipt of these documents, or the fixed time specified in 4B(2), whichever occurs last, to remove this contingency or cancel the Agreement.
- OR (ii) (If checked) ☐ assumed loan contingency shall remain in effect until the assumption is approved.
5. ☒ **COURT CONFIRMATION** (If checked): This Agreement is contingent upon court confirmation on or before _____ (date). If court confirmation is not obtained by that date, Buyer may cancel this Agreement in writing. Court confirmation may be required in probate, conservatorship, guardianship, receivership, bankruptcy or other proceedings. The court may allow open, competitive bidding, resulting in Property being sold to the highest bidder. Broker recommends that Buyer appear at the court confirmation hearing. Buyer understands that (i) Broker and others may continue to market the Property and (ii) Broker may represent other competitive bidders prior to and at the court confirmation.

By signing below Buyer and Seller acknowledge that each has read, understands, received a copy of and agrees to the terms of this Purchase Agreement Addendum.

Date 10/30/13
Buyer Jose J. Garcia
Jose J. Garcia
Buyer Rosa E. Garcia
Rosa E. Garcia

Date 10/24/13
Seller John M. Wolfe Ch. 7 Trustee
Seller _____

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Reviewed by _____ Date _____

PURCHASE AGREEMENT ADDENDUM (PAA PAGE 2 OF 2)

EXHIBIT "2"
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Harvey - MV

ADDENDUM TO PURCHASE AGREEMENT

This Addendum to Purchase Agreement (hereinafter called "Agreement") is entered into on this 22nd day of October, 2013, by and between John M. Wolfe, Chapter 7 Bankruptcy Trustee (hereinafter called "Seller" or "Trustee") and Jose J. Garcia and Rosa E. Garcia, (hereinafter "Buyer"), pursuant to the terms and conditions as follows:

RECITALS

WHEREAS: Subject to Court approval, the Trustee in the bankruptcy proceeding entitled of In re Harvey, Case No. 8:13-bk-10544-CB, has authority to sell certain real property commonly known as: 22202 Abrazo, Mission Viejo, California (APN 837-311-30), County of Orange (hereinafter the "Subject Property").

WHEREAS: The Trustee has been appointed by Order of the Court pursuant to the United States Bankruptcy Code.

WHEREAS: As a result of the filing of the Chapter 7 petition, the Trustee has been appointed to administer the assets of the bankruptcy estate, one of which was the Chapter 7 debtor's interest in the Subject Property.

WHEREAS: Pursuant to 11 U.S.C. Section 363, the Trustee and/or his attorneys will seek a Court Order authorizing the sale of the Subject Property.

NOW THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

CONDITIONS OF SALE

1. Court Approval: Seller agrees to proceed in good faith to obtain Court approval for the sale of property located at contemplated herein, within reasonable time period after said offer.
2. Broker's Compensation: Brokers and Agents are entitled to compensation only upon recordation of a deed or other evidence of title.
3. No Assignment: This agreement is between Buyer and Seller. Buyer shall have no right to assign the Escrow, this agreement, or transfer the Subject Property concurrent with closing without consent of Seller.
4. Title Insurance: The title insurance policy shall be subject only to liens, encumbrances, clouds and other matters as may appear on the preliminary title report, that are not to be removed at the close of Escrow, and have not been objected to by Buyer. If Seller is unwilling or unable to eliminate those title matters disapproved by Buyer as above, the

Seller may terminate this Agreement or; if Seller should fail to deliver good and marketable title as provided above. Seller and/or Buyer may terminate this Agreement. In either case, the Buyer's deposit shall be returned to Buyer, and Buyer shall have no recourse against Seller or the Law Offices of Shulman, Hodges & Bastian, LLP, the bankruptcy estate of: In re Harvey, Case No. 8:13-bk-10544-CB, or the Trustee, or any real estate agent, broker or attorney involved in this transaction.

5. Limitations of Sale: The parties acknowledge that the operation of the law has placed the Bankruptcy Trustee in a unique role as the Seller of the Subject Property, which is the subject of this agreement. Due to the nature of the Trustee's role in administering the bankruptcy estate, there are limitations as to the extent, type and character of the agreement under which the Trustee can convey the Subject Property. The Trustee proposes to sell this asset subject to certain limitations. The parties hereby acknowledge that they understand the terms under which the Subject Property is to be conveyed may vary substantially from the normal customs and trade within the real estate industry. Except where expressly mandated by operation of law, the Buyer consents to any such modifications and amendments.
6. Purchase without Warranties: Buyers acknowledge that they are purchasing the Subject Property from the Seller "AS IS" without warranties of any kind, expressed or implied, being given by the Seller, concerning the condition of the property or the quality of title thereto, or any other matters relating to the Property. Buyer represents and warrants that they are purchasing the Subject Property as a result of their own investigations and are not buying the Subject Property pursuant to any representation made by any Broker, Agent, Accountant, Attorney or Employee acting at the direction, or on the behalf of the Seller. Buyers acknowledge that Buyers have inspected the Subject Property, and upon closing of Escrow governed by this Agreement, Buyer forever waives, for himself, his heirs, successors and assigns, and all claims against the Trustees, their attorneys, agents and employees, the bankruptcy estate of In re Harvey, Case No. 8:13-bk-10544-CB and/or its Attorneys, Agents and Employees, arising or which might otherwise arise in the future concerning the Subject Property.
7. Trustee's Liability: Buyer acknowledges that the Trustee is acting as a Trustee in Possession. No personal liability shall be sought or enforced against any officer, director, shareholder, employee, independent contractor of the Trustee with regard to this Agreement, including the Addendum, the assets, the sale of the Subject Property, or the physical condition of the Subject Property. In the event that the Trustee fails or refuses to complete the transaction for any reason, then the limit of the Trustee's liability is only to return any money paid to the Trustee by the Buyer, without deduction. Prior to and after the closing of escrow, the United States Bankruptcy Court shall have and retain the sole and exclusive jurisdiction over the Assets of this transaction and Agreement; and all disputes arising before and after closing shall be resolved in said Court.
8. Hold Harmless:

(a) Buyer understands the terms and conditions of the entire purchase contract and holds the Estate and the realtors, brokers, agents, the Trustee, and the Law Offices of Shulman, Hodges & Bastian, LLP, his attorneys, agents and employees harmless from any liabilities arising from this contact.

(b) All parties hereto further agree, jointly and severally, to pay on demand as well as to indemnify and hold Escrow harmless from and against all costs, damages, judgments, attorneys' fees, expenses, obligations and liabilities of any kind or nature which in good faith, Escrow may incur or sustain in connection with or arising out of this Escrow and Escrow is hereby given a lien upon all the rights, titles and interest of each of the undersigned in all escrow papers and other property and monies deposited in this escrow, to protect the rights of escrow and to indemnify and reimburse Escrow under this Agreement. In the event this Escrow is not completed for any reason, Escrow is authorized to deduct and pay its fee, plus costs incurred from any funds on deposit, and disburse the balance of the deposit consistent with the terms herein, without further instruction.

9. Disputes: Any and all disputes which involve in any manner the Bankruptcy Estate or the Trustee, or any of the Trustees agents, or attorneys arising from this Purchase Contact, this Addendum or relating in any manner to the Subject Property, shall be resolved only in the United States Bankruptcy Court, Central District of California.
10. Pest Control Report: Seller will not provide a pest control report nor pay for any corrective work.
11. Contingent Sale: Buyer is aware that this offer is contingent upon Trustee approval, Bankruptcy Court confirmation and is subject to overbid. After removal/waiver of ALL contingencies, Buyer's Deposit is refundable only if overbid is accepted by Bankruptcy Court, or if the Court does not approve the sale to the Buyer as set forth herein.

Except as otherwise provided herein, Buyer has NO CONTINGENCIES in this transaction.

I, the Buyer herein, have reviewed the foregoing Agreement and understand the terms and conditions set forth herein, and further agree to purchase the Subject Property pursuant to said terms and conditions.

Dated: 10/30/13

By: Jose J. Garcia
Jose J. Garcia

[Signatures Continued on Next Page]

Dated: 10/30/13

By: Rosa E. Garcia
Rosa E. Garcia

I, Seller, agree to sell the Subject Property pursuant to the terms and conditions set forth herein.

Dated: 10/24/13

By: John M. Wolfe
John M. Wolfe, Chapter 7 Bankruptcy Trustee

SO AGREED.

Dated:

Joseph M. Galosic, Trustee's Agent/Broker

Dated:

10/30/13

John M. Wolfe
Buyer's Agent/Broker

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
8105 Irvine Center Drive, Suite 600, Irvine, CA 92618

A true and correct copy of the foregoing document entitled: **NOTICE OF SALE OF ESTATE PROPERTY** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On *(date)* 11/25/2013, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On *(date)* 11/25/2013, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☒ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL *(state method for each person or entity served)*: Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on *(date)* 11/25/2013, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Judge's Copy (via Messenger): U.S. Bankruptcy Court, Attn: Catherine E. Bauer, 411 W. Fourth Street, Bin Outside 5th Floor Elevators, Santa Ana, CA 92701

Buyer (via Email): Jose & Rosa Garcia c/o Sofia M. Delgado, First Team Real Estate; Email: sofiamdv@hotmail.com

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

11/25/2013 Erlanna Lohayza
Date *Printed Name*

/s/ Erlanna Lohayza
Signature

NEF SERVICE LIST

Attorney for Debtors: Gregory J Doan ecf@doanlaw.com

Attorney for Chapter 7 Trustee: Rika Kido rkido@shbllp.com, avernon@shbllp.com

Counsel for Everbank: Christina J O christinao@mclaw.org

Attorney for Chapter 7 Trustee: Leonard M Shulman lshulman@shbllp.com

Interested Party: Ramesh Singh claims@recoverycorp.com

Interested Party: United States Trustee (SA) ustpregion16.sa.ecf@usdoj.gov

Chapter 7 Trustee: John M Wolfe (TR) john.wolfe@txitrustee.com, ecf.alert+jmwolfe@titlexi.com

Chapter 7 Trustee: John M Wolfe (TR) john.wolfe1@earthlink.net, ecf.alert+jmwolfe@titlexi.com

U.S. MAIL SERVICE LIST

DEBTORS

PATRICK GLENN HARVEY
AND CATHLEEN DENISE
HARVEY
22202 ABRAZO
MISSION VIEJO, CA 92691-1414

NEF - INTERESTED PARTY

UNITED STATES TRUSTEE (SA)
411 W FOURTH ST., SUITE 9041
SANTA ANA, CA 92701-8000

PROOF OF CLAIM ADDRESS

AMERICAN INFOSOURCE LP AS
AGENT FOR MIDLAND FUNDING
LLC
PO BOX 268941
OKLAHOMA CITY, OK 73126-8941

CREDITOR LISTING

BANK OF AMERICA
ATTN: BANKRUPTCY NC4-105-03-
14
PO BOX 26012
GREENSBORO, NC 27420-6012

PREFERRED ADDRESS

CAPITAL ONE
PO BOX 30285
SALT LAKE CITY UT 84130-0285

PROOF OF CLAIM ADDRESS

CAPITAL ONE BANK (USA), NA BY
AMERICAN INFOSOURCE LP AS
AGENT
PO BOX 71083
CHARLOTTE, NC 28272-1083

CREDITOR LISTING

EVERHOME MORTGAGE CO
ATTN: BANKRUPTCY
8100 NATIONSWAY
JACKSONVILLE, FL 32256-4405

ADDITIONAL NOTICE

EVERHOME MORTGAGE CO
301 WEST BAY STREET
JACKSONVILLE, FL 32202

CREDITOR LISTING

HOME DEPOT CREDIT SERVICES
PO BOX 183175
COLUMBUS, OH 43218-3175

CREDITOR LISTING

HSBC BANK
PO BOX 5253
CAROL STREAM, IL 60197-5253

CREDITOR LISTING

LAKE MISSION VIEJO
ASSOCIATION
22555 OLYMPIAD ROAD
MISSION VIEJO, CA 92692-1177

CREDITOR LISTING

MISSION HOSPITAL
DEPARTMENT LA 21063
PASADENA, CA 91185-0001

CREDITOR LISTING

MISSION VIEJO ENVIRONMENTAL
ASSN
PO BOX 25013
SANTA ANA, CA 92799-5013

CREDITOR LISTING

NORTHLAND GROUP INC
PO BOX 390846
MINNEAPOLIS, MN 55439-0846

SECURED CREDITOR

ORANGE COUNTY TREASURER
AND TAX COLLECTOR
PO BOX 1438
SANTA ANA, CA 92702-1438

CREDITOR LISTING

RECOVERY MANAGEMENT
SYSTEMS CORPORATION
25 S.E. 2ND AVENUE, SUITE 1120
MIAMI, FL 33131-1605

CREDITOR LISTING

TNB-VISA
PO BOX 560284
DALLAS, TX 75356-0284

PREFERRED ADDRESS

US BANK
ATTN: BANKRUPTCY DEPT.
PO BOX 5229
CINCINNATI OH 45201-5229

NOTICE PURPOSES

INTERNAL REVENUE SERVICE
CENTRALIZED INSOLVENCY
OPERATIONS
PO BOX 7346
PHILADELPHIA, PA 19101-7346

NOTICE PURPOSES

CALIFORNIA FRANCHISE TAX
BOARD
BANKRUPTCY SECTION, MS: A-
340
PO BOX 2952
SACRAMENTO, CA 95812-2952